FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 18 MAY 13, 1916 No. 3

FORTNIGHTLY ILLUSTRATED

War and the Chemicals
By H. A. BOYLAN

Ripening Securities
By FRED L. KURR

MONTGOMERY ROLLINS *on*

Savings Bank Investments

How to Figure Foreign Exchange
By ALBERT KASTAN

Prospects for the Steel Stocks
By WILLIAM T. CONNORS

How to Trade in Puts and Calls
By EDWIN BLAGDEN

The Outlook **The Bargain Indicator**

PRACTICAL AND PROFITABLE ANALYSES OF

American Sugar Refining **Bethlehem Steel**

United Light and Railways **Swan & Finch Oil**

Cotton **Oils** **Wheat**

The Largest Circulation of Any Financial Publication

Fifteen Cents

Please mention MAGAZINE OF WALL STREET *when writing*

The MAGAZINE of WALL STREET

FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 18 May 13, 1916 No. 3

THE OUTLOOK

The Submarine Issue—Connection Between Commodity Prices and Business Conditions — Balance of Trade — Foreign Liquidation—The Market Prospect

BECAUSE of the importance of the issues involved in our latest exchange of notes with Germany, the stock market has been more than usually affected by current news announcements. Thus prices became very weak on President Wilson's summary demand on Germany, turned strong again on optimistic reports from Berlin as to the nature of the reply to be expected, declined rather precipitately when that reply was found to arraign our attitude toward England and to reserve the right to renew submarine attacks without warning if the British blockade continues unmodified, and once more advanced sharply when it was found that the President was disposed to accept the reply as satisfactory, or at least as not affording sufficient reason for breaking off diplomatic relations.

Submarine Issue Still in Doubt

ALTHOUGH immediate disagreement with Germany has again been warded off, it cannot be said that the submarine issue is settled.

In the first place, the status of armed merchant vessels remains undecided. Whether such a vessel is armed for offense or defense depends, where submarines are concerned, on a series of hair-splitting distinctions. Germany has agreed to follow the recognized principles of international law as heretofore construed; but these would not prevent a submarine from attacking a merchant vessel regardless of the safety of neutral lives on board, if that vessel should take any offensive action whatever. Will the judgment of German submarine commanders as to what constitutes offensive action agree in all cases with the views of the United States Government?

In the second place, Germany has tied a stout string to her concessions so that she can logically pull them back at any moment; for there will be no change in England's blockade policy nor in her arming of merchant ships.

Again, German submarine captains have evidently made a number of serious mistakes in past operations. The periscope gives but an uncertain view of the vessel to be attacked, especially when the submarine dares not approach closely

because of the knowledge that many merchant vessels are armed, and it is perfectly natural that the submarine commander, anxious to make a record and to do something to lessen the enemy's predominance on the sea, should sometimes overstep his instructions. Since the German Government has from the first recognized the possibility of such mistakes and warned neutral nations against them, it is hardly in a position to punish submarine commanders very severely when the mistakes occur.

It is necessary to conclude, therefore, that the happy day when the stock market can wipe the submarine question off the slate must be still further postponed.

Sensational Advance in Commodity Prices

WITHOUT question the most noteworthy feature of our present economic situation is found in the continued advances in the prices of materials, wages and finished products. According to the latest computations English prices have advanced an average of about 63 per cent. since the war began and American prices 37 per cent. Such an abrupt upheaval within a period of less than two years cannot do otherwise than bring in its train far-reaching economic changes.

Our trade and industry are going full steam ahead and business is being transacted on a very profitable basis. But how far are these large profit due to the fact that merchants and manufacturers have been able to sell the finished goods on a higher general price-level than that which prevailed when the goods, or the materials to make them, were bought?

How far are our phenomenal bank clearings due to the fact that the dollar—in which the clearings are measured—no longer represents as great a quantity of goods as it represented a year and a half ago?

What will be the effect on business profits when prices approach a stationary plane, or even begin to react—as they must eventually do—so that the merchant or manufacturer must buy his materials and supplies on the same basis as that on which he sells or perhaps a higher basis?

None of these questions can be definitely answered; but certain points in the situation are self-evident. Prices cannot continue to rise indefinitely. A tremendous advance has already been recorded. When the advance stops and a reaction sets in, our present very great business activity will be subjected to a severe test.

The war demand has to a great extent disregarded prices; but the war demand for manufactured products is already beginning to wane, although requirements for raw materials as yet show no falling off. In the mean time our domestic demand has been rising, and it is now taking the place of new war orders. Advancing prices have stimulated this domestic demand. Will the domestic demand be maintained when prices cease to advance or begin to decline?

Market Will Discount the Future

FOR the remainder of the present year a high level of business activity is practically assured, since many of our manufacturers have orders already booked to capacity into 1917. But the stock market never represents present conditions, so far as the broad major movements are concerned. If we are to have a reaction in trade, the market will anticipate it. Speaking broadly, the market is usually about six months in advance of current business conditions.

We may assume, then, that the market will soon be looking ahead into 1917. A further expansion such as we have witnessed in 1916 would be obviously out of the question, since we are already producing goods almost at our extreme capacity. For 1917 the question will be, Can we maintain our present high level of prosperity?

Balance of Trade

OUR favorable balance of trade, or excess of merchandise exports over imports, is still close to high water mark, theMarch surplus being $196,000,000, against

$216,000,000 in February. April figures are not expected to show any serious decline.

It is a question, however, whether we have not reached the climax of this movement. Our quarterly surplus of exports since the beginning of 1915 has been as follows:

First quarter of 1915	$459,000,000
Second quarter	377,000,000
Third quarter	395,000,000
Fourth quarter	538,000,000
First quarter of 1916	558,000,000

The outward movement of munitions is probably now at or near its maximum. The demand on us for raw materials must continue large for so long as the war lasts, but these will go forward at a lower valuation than the completed war munitions.

During 1915 our continued imports of gold, amounting to $420,000,000 for the year, afforded a constant stimulus to credit expansion. So far in 1916 Europe has succeeded in paying for our goods without sending us gold, the balance for the first quarter being about $3,000,000 exports.

In view of the American securities which England has accumulated under her "mobilization" plan, and of the further fact that France is now putting into operation a similar scheme by accumulating various neutral securities to be used as a basis for loans at New York, it is probable that the gold import movement has been definitely checked for some months to come, at least.

Whether the war will last long enough to exhaust the available supply of securities abroad which can be used in this way to pay for our exports of merchandise, so that more gold will eventually have to be sent us, is a point upon which one opinion is as good as another.

Continued Foreign Liquidation

WE have become so accustomed to meeting a constant supply of bonds and railroad stocks from abroad that the subject has ceased to attract comment, but these steady sales have undoubtedly had a great influence in preventing any further advance in these departments of the market. Europe's supply of our industrials—with the exception of Steel common—has never been large, so that these issues have not encountered the same obstacle. On the other hand, Europe's sales have been well managed, so that on the declines there is a notable falling off in the supply from abroad.

This situation is distinctly discouraging to the flotation of new railroad security issues.

The Market Prospect

IT is probable that the climax of the great bull movement of 1915 has already been passed, so far as average prices for the whole market are concerned. A great quantity of stocks has passed from the hands of investors, many of whom had been holding them for years, to speculators who are seeking only a temporary advance on which to realize. This transfer has taken place at a high level of prices, and it will require a low level to induce investors to take back their previous holdings.

Minor upward movements of the whole market and great strength in special issues from time to time are of course to be expected. The extent of such movements will depend on the new developments which can be marshalled to support them.

Prospects for the rails and metal stocks appear better than for the industrials. The rails have been less enthusiastically bulled than other issues, and hence more of them are still held by investors; and the demand for metals must apparently continue large while the war lasts, and probably for a time thereafter.

Prospects For the Steel Industry

The War Demand—Cycles of Activity—Connection With the Stock Market

By WILLIAM T. CONNORS

THE story of the Steel industry since Jan. 1, 1915, reads more like some highly colored tale of romance than it does like a prosaic chronicle of business development.

For December, 1914, the pig iron production of the country had fallen to only 1,516,000 tons, the lowest point since the post-panic year of 1908. For March, 1916, it was 3,338,000 tons, a gain of almost 125 per cent, and far above previous records.

At the end of 1914 the average price of all leading steel products was considerably below $30.00 per ton. The same average is now about double that figure.

In March, 1915, the price of pig iron—taking No. 2 Southern at Cincinnati as a basis—was $12.25 a ton. By the following January it touched $18.00, an advance of nearly 50 per cent.

In May, 1915, the railroads purchased a total of 18,000 tons of rails. In March, 1916, they bought about 1,100,000 tons and in April 1,044,000 tons.

For the fourth quarter of 1914 the net earnings of the U. S. Steel Corporation was only $10,933,000, the smallest quarter since the organization of the company. For the first quarter of 1916 they were $60,713,000—the biggest quarter since the company was organized.

Expansion Was Foreseen

This period of expansion was confidently predicted in a number of articles appearing in the MAGAZINE OF WALL STREET in the closing months of 1914 and in 1915. In the issue of Sept. 4, 1915, for example—when the price of pig iron was below $14.00—the following statement was made:

"It is reasonable to expect that the price of pig iron will reach $18 a ton at least before the movement culminates. . . Monthly production of iron on this swing will be in the neighborhood of 3,000,000 tons."

At present leading steel men see no indication of any early let-up in the demand for steel or for pig iron. The average advance in steel prices in February was about $5.00 a ton and another advance of the same amount was added in March. In April the rise was less pronounced but it was sufficient to show that demand was still considerably in excess of supply.

In the meantime the price of Bessemer rails, which had been held stationary at $28.00 since 1902, was raised to $33.00 May 1, and some orders have already been booked for delivery at that price after May 1, 1917. Open hearth rails were at the same time advanced from $30.00 to $35.00. There is talk of a still further advance of $5.00 a ton but so far this is indefinite.

The War Demand

British and French authorities assert that those countries are now prepared to take care of their future requirements for shells and shrapnel, but this does not mean that they can produce steel enough to keep up their present pace in the making of munitions. France will certainly need our steel, and while England will probably be able to meet her own steel requirements, she cannot take of neutral nations that were formerly dependent on Europe for their supply. Italy and Russia and various neutral countries will need steel and the United States is the only country to which they can now turn.

Hence there seems to be little probability of any considerable falling off in the demand for our steel while the war lasts. Indeed, one high official of a leading steel company says that the war demand for steel is greater now than at any previous time.

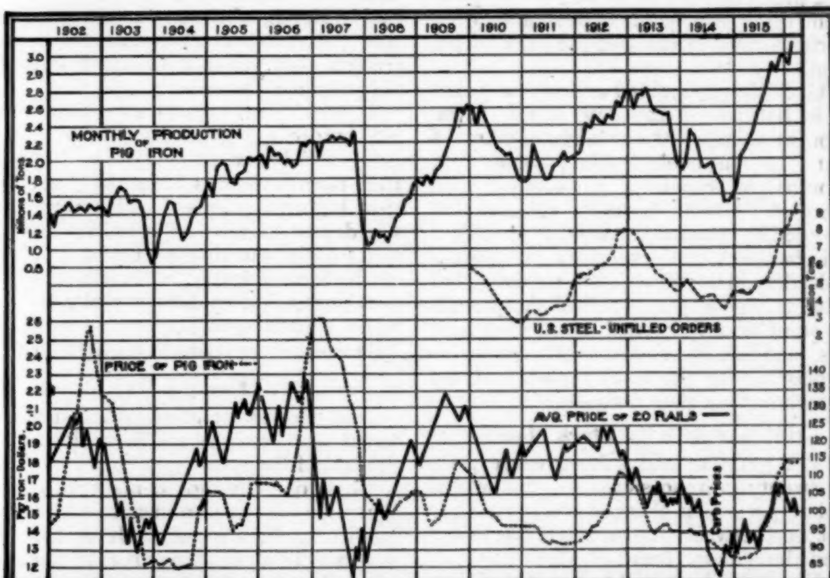
Cycles in the Steel Industry

No other line of business shows so plainly the effect of "cycles" of activity

and depression as iron and steel. For example, the graphic accompanying this article shows the following swings in monthly production of pig iron:

	Tons.
1903	1,700,000
1904	850,000
1907	2,300,000
1908	1,045,000
1909	2,635,000
1911	1,759,000
1913	2,822,000
1914	1,516,000
1916	3,338,000

Sudden changes in the iron and steel industry, therefore, are no new thing, and the present great activity is certain



to be followed in due time by a severe reaction.

It will be seen that a complete "cycle" in iron production usually lasts three or four years—that is, from the low record of 1904 to the low point of 1908, four years; from then until the low point of 1911, three years; thence to the low at the end of 1914, four years. Also, we note that the period of declining production is shorter than the period of advance.

On this basis, then, we may reasonably anticipate a continuance of big iron production until the end of 1916—and it might run still longer, as is shown by the upward movement of 1904-06. Undoubtedly the duration of the war, which no one can predict, will materially affect the length of the present movement.

The Price of Iron

It has been ten years since this country saw a famine in pig iron, but one occurred in 1902 and another in 1906, the price in each case going above $25.00 a ton. Some old heads in the iron business do not hesitate to predict a similar price movement in this instance before the prosperity wave culminates.

At present there is an unusually wide spread between the price of iron and that of steel, and that fact accounts in part for the tremendous earnings of the various steel producing companies—the finished product has advanced much more than the raw material. Moreover, it is unquestionably true that steel orders are now booked much further in advance than iron orders. The principal steel companies have their own iron mines and

furnaces and do not buy from the merchant furnaces except in exceptional circumstances. So far they have not thought it necessary to provide themselves with merchant iron far in advance.

The country's iron producing capacity has been growing steadily, otherwise a monthly production of 3,338,000 tons would not be possible; but even so we must now be close to capacity production and speculative stocks of iron have been mostly used up. At the present level of steel prices the steel companies could much better afford to pay higher prices for iron than to slacken their own production of steel. Hence while any definite prediction would be out of the question, there is a genuine possibility of a further sharp advance in the price of pig iron.

U. S. Steel's unfilled orders show that it is booked to capacity about seven months ahead. At the highest point of 1912 it was booked ahead about eight months at capacity. Conditions then were so different from the present that no specific conclusion can be drawn from this fact, but in a general way it is probable that in previous steel markets that have in any way approached the present in point of activity and urgency of buyers, unfilled orders have been larger in proportion to the total capacity of the company than they are now.

Relation with the Stock Market

The graphic shows the average price of twenty railroad stocks throughout the entire period, as there is always a close relation between iron and steel conditions and the general trend of stocks.

For example, it will be noted that both the price of iron and U. S. Steel's unfilled orders have nearly always begun to fall off a few months after the beginning of a real bear market in stocks. If, as many believe, our stock market has seen its best prices and is now on the bear swing, we should soon see a recession in the price of iron and a decline in unfilled orders. This will be an interesting point to watch during the early summer.

It is, of course, understood that the continued activity in steel circles during the remainder of 1916, which seems highly probable, does not by any means assure higher prices for stocks, since the stock market always discounts coming events in general trade. This was shown very plainly in the latter part of 1902 and early in 1907. While pig iron was bounding upward to famine prices, stocks were declining sharply. This was entirely logical, so far as the steel companies were concerned, for it was the price of their principal material that was sky-rocketing.

In 1906, the highest point of the market was touched in January. The rails touched almost the same level in the fall—owing largely to the spectacular manipulation of Union and Southern Pacific by Harriman, who was then the power in the speculative market—but the industrials did not again approach the top of the previous January.

It was fifteen months after that January before pig iron reached its highest price and began to decline, and it was over twenty months before iron production began to decline. This illustrates the degree to which the market may at times anticipate changes in the condition of the iron industry. Nevertheless it is notable that prices did not really embark upon a prolonged bear swing until pig iron was nearly ready to go with them.

After the War

It is hard to see how a severe reaction in the steel business can be avoided after the end of the war.

What our domestic demand will be at that time we have no means of knowing, but it may be somewhat checked by the necessity of an extensive readjustment of our industries with the coming of peace. At any rate, the loss of the war demand for steel must leave a hole.

It is not as easy to form a sound opinion as to the future of the steel industry in war as it is in times of peace, but unless the prospects for the end of the war become much more definite and specific than they are now, continued activity for the remainder of 1916 seems to be pretty well assured. By that time it would seem probable that the upswing will have nearly run its course, if we are to judge from similar movements in the past.

Montgomery Rollins

Savings Bank Investments

By MONTGOMERY ROLLINS

Author of Money and Investments, Municipal and Corporation Bonds, Etc.

Article 1

THE experienced investment banker will find but little grist for his grinding in this screed. His need for a vigilant delving into this sort of lore turns him into a ready reference reservoir for facts such as to be found here.

But no treatment of the subject in hand should ignore the all-important part played by him in shaping the policy of many States towards investing the funds of savings institutions.

And who is the investment banker, pray, that he should presume to interfere in statutory affairs of this kind? Quite an ancient gentleman, I assure you! One to whom king's make their bows when in need of funds to wage wars for conquest or defense; one to whom the nations of Europe, now clinched in a death grapple, turn with life-saving energy to curry his good favor. And so it has been, even from the days of the twelfth century, when the first funded debt in all Europe was issued by the Venetians to secure the wherewithal to equip a great armada sent to avenge indignities heaped upon them by the Emperor of Constantinople.

In passing, it is worthy of note that this loan, issued in 1171, bore but 4 per cent. interest. Especially does one give this matter thought when comparing the rate of this first bond issue, and placed for war purposes, with the much higher rates of recent years needful in financing the simple and peaceful purposes of development.

For a moment, let us turn from the investment banker and his beneficial activities in shaping the laws with which the investment of savings bank funds are hedged about, and view the subject from the standpoint of the bank itself, or, rather, from that of the depositor, who has, in all confidence, committed his savings to the care of such institutions.

The Savings Bank Idea

It was Daniel Defoe, of Robinson Crusoe fame, who originated the savings bank idea, as we know it. He proposed the plan in 1697, but it did not bear fruit until 1778, when a savings bank was founded in Hamburg, followed by one in Berne, nine years later. Nevertheless, some writers are inclined to give Samuel Whitbread, when a member of the British Parliament, the credit for first suggesting the modern savings bank plan, for, in 1707, he advocated a system of safe and profitable investment of the savings of the poor. It was the Rev. H. Duncan of Ruthwell, Dumfriesshire, who established a savings bank in 1810, to whom has been given the title of "father of savings banks." The great success of this enterprise was demonstrated by its having accumulated so much as $5,800 during the first four years of its existence.

And what has a hundred years of progress wrought? Please give heed to these facts, and then judge of the potential power of the savings depositor—really the great investor—and the need of giving him reverent consideration:

By the census of 1910, there were

about 6,500,000 people in New England, composed of all classes, including millions of immigrants, seeking, striving and huddling together in the so-called "melting-pot," which has been aptly termed only a moderately heated steam bath. Nevertheless, the following shows that some sort of a melting process has been going on.

The deposits in the savings banks of those six States amounted to nearly $1,500,000,000, an average deposit per capita of total population of something more than $225. There was slightly over one deposit account for every two persons, or, to be exact, there were 3,595,904* deposit accounts. And this makes no account of deposits in national banks, trust companies, ownership in co-operative banks, building and loan associations, and premiums paid to insurance companies.

The Real Capitalists

Can you imagine this vast horde of investors passing in review? They are the real capitalists of the land; the real bond and stockholders, for, in truth, their money is very largely invested in such securities. Yet, from their standpoint, as they are mostly of the working class, they would call any of you readers a "bloated bondholder" who possessed so much as a hundred dollar bond. They do not realize that, forsooth, throughout this broad land, they are the "moneyed aristocrats" with their indirect ownership in billions of investment securities.

Some conclusion may be drawn as to the enormous power which might be wielded by the country as a whole for a better protection of savings—the use of the term capital is particularly avoided—should the tens of millions of such people become educated in their own interest and organized in their own behalf. Industries are more or less organized; labor is most graspingly, selfishly and wastefully organized; but the poor old investor, never!

Divide the investments held by any savings institution in this country among its various depositors, so that each would receive a small amount of this bond or that mortgage or the other stock—so that each individual depositor would realize that it was not the institution in which his money was deposited that he must primarily watch, but, in place thereof, the integrity of the securities wherein that institution has placed his money. Then is it not conceivable that we should have better municipal governments, better men in offices, less graft, and take the first great step towards warding off a possible widespread municipal repudiation?

Indeed, from the foregoing, one must realize that it was worth while giving prayerful forethought to the making of laws that would so guard the immense treasure entrusted to savings institutions—a hoard so vast that compared with it the vaunted buried treasures of India and Egypt seem almost trivial—that it could be placed at interest with every provision for its conservation.

The point has been often made that institutions of this kind do not conduct strictly a banking business; that is, they take deposits not for their own use, but for the protection and benefit of others, making safety a consideration before profit. And right there is the crux of the whole matter; the very essence of argument for safe and sane laws under which savings bank trustees may wisely act.

The investment bankers of the country, as a class—far better, perhaps, than the average savings bank trustee—long ago realized the importance of the foregoing. The former naturally viewed the deposits as a whole and appreciated their magnitude, whereas the individual trustee, with his more restricted horizon, was prone to consider matters from the viewpoint of his individual institution, further influenced by local conditions.

Greed for High Rates

But, always, the investment banker has encountered, particularly from the country savings bank trustee, an ill-advised greed for high rates, so that each individual bank could pay an attractive interest return to its depositors, thus favorably competing with other institutions in the same locality.

* These statistics, although based on the census of 1910, were taken from the bank reports of a somewhat later date.

Any competition for deposit accounts, sought on the principle of one bank increasing its interest rate over that of another, is such a vicious principle in finance that recently the writer had an opportunity to advise one seeking light upon the subject to withdraw from an institution where an advance in the rate of interest allowed on deposits had just been made most obviously for that particular reason.

But to return to our last:

It was natural, therefore, thirty odd years ago, that the Eastern savings banks, in order to secure a better rate of interest, should turn to the great West. That section of the country, in its exuberant growth, called for vast sums of money for municipal improvements. The funds needed to defray the cost necessarily were drawn from the older and wealthier sections of the world. The newer regions were devoid of even reasonable banking facilities, to say nothing of lacking the means to finance their rapid progress.

Besides all this, their laws, under which muncipal bonds were issued, were so crude that the banker saw and took advantage of the opportunity to perform some very beneficial deeds. Very few of the States or Territories, in those days, had any passably good laws for the purposes in question. For the most part, they were complex and not well framed for the protection of the bondholder. To the investment banker is largely due the correction of these faults.

Laws Remodeled

Within the last score of years, the laws throughout the land, to a great extent, have been remodeled—almost entirely through the efforts of investment dealers—so far as they relate to the creation of indebtedness.

Almost simultaneously the bankers turned their activities to amending the laws; restricting, in some States, the investment of the savings banks, and broadening the scope in others. As a whole, depositors have greatly benefited by these changes, the influence of which have been felt, particularly among the western and southern municipalities, in their efforts to keep their financial showings within the limits prescribed by the savings bank laws of the rich northeastern States. This in order that their bond issues might benefit by market prices consistent with availability for the investment of the bank funds in those States.

It is true that not all of these amendments have been to a good end. Occasionally some change in the limitation of investment has been brought about, the ultimate motive for which did not appear at the time. But, as a general proposition, the bond men do not wish any unwise " letting down of the bars," and are watchful of all bills presented in the several legislatures in relation to the investment of bank funds, and have thus prevented the enactment of many injurious laws.

(To be continued)

The Cash-Carrying Habit

The cash-carrying habit is wasteful and leads to many useless expenditures which prove a constant drain on your finances. You don't mean to be extravagant, but your money just vanishes in a way that you are unable to account for. If you pay bills by check, the stub or cancelled check will show just where your money has gone. It will enable you to stop many little wasteful leaks and to proceed along lines of better economy. The man who has an account in the bank and pays bills by check naturally grows into the habits of thrift. He cultivates personal temperance in his indulgences. He learns to look with pride upon the increase of his " balance." Everybody regards him as a citizen of more worth and importance in the community.—*Where Money Grows.*

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Otto Kahn on "High Finance"

NO more able address has been delivered in years than that recently made by Otto H. Kahn, of the firm of Kuhn, Loeb & Co., before the American Newspapers' Association in the grand ballroom of the Waldorf Astoria in New York. Mr. Kahn indicated at once the importance and the limitations on the capacity of the financier whom he defined as "a man who has some recognized relation and responsibility to the larger monetary affairs of the public." "The capacity of the financier," declared Mr. Kahn, "is dependent upon the confidence of the financial community and the investing public, just as the capacity of the banks is dependent upon the confidence of the depositing public."

The term "high finance" derives its origin from the French "haute finance," which in France, as elsewhere in Europe, designates the most eminently respectable, the most unqualifiedly trustworthy amongst financial houses.

Why does there exist in the United States, alone amongst the great nations, a widespread attitude of suspicion toward the financial community and especially toward the financial activities which focus in New York, the country's financial capital?

The primary underlying and continuing cause is lack of clear appreciation of what finance means and stands for and is needed for.

Finance means promoting and facilitating the country's trade, at home and abroad, creating new wealth, making new jobs for workmen. It means continuous study of the conditions prevailing throughout the world. It means daring and imagination combined with care and foresight and integrity and hard, wearing work.

Finance does not mean speculation, although speculation when it does not degenerate into mere gambling, has a proper and legitimate place in the scheme of things economic. Finance most emphatically does not mean fleecing the public, nor fattening parasitically off the industry and commerce of the country.

I would define a financier as a man who has some recognized relation and responsibility toward the larger monetary affairs of the public, either by administering deposits and loaning funds or by being a wholesale or retail distributor of securities.

Confidence cannot be compelled; it cannot be bequeathed—or, at most, only to a very limited extent. It is and always is bound to be voluntary and personal. I know of no other centre where the label counts for less, where the shine and potency of a great name is more quickly rubbed off if the bearer does not prove his worth, than in the great mart of finance. Mere wealth indeed can be bequeathed, but fortunately and rightly the power of mere wealth—to paraphrase a famous dictum—has decreased, is decreasing and ought to be, and will be, further diminished.

THE HARDER THEY SHAKE HIM THE FATTER HE GETS

New Era, Hot Springs, Ark.

"Riding on a Tidal Wave"—Vanderlip

DISCUSSING the effect of the European war upon American industries, Frank A. Vanderlip, President of

the National City Bank of New York, in an address points that the enormous demands upon our markets, and the abnormal changes in prices are significant of the violent disturbance in economic processes that is taking place, and the fact that changes just now are in our favor is not entirely reassuring.

The enormous demands upon our markets, and the abnormal changes in prices, are significant of the violent disturbances in economic processes that is taking place, and the fact that the changes just now are in our favor in not entirely reassuring. It would be worth something again to get back under a rule of order and certainty even though for the moment we are profiting by disorder and confusion.

The first shock of the war was paralyzing to business in this country; the second effect was that of great industrial stimulus; and we are under that influence now. It is an extraordinary state of affairs when wages in the steel industry are advanced twice, 10 per cent each time, within three months, with advances in the textile mills and other industries almost as great. They signify that all industry is on a shifting base, that we are riding on a tidal wave, and that we cannot tell where we will be when normal conditions are restored.

Will They Ever Be Friends?—*From the New York Telegram.*

"War is Uniting Americas"—Warburg

PAUL M. WARBURG of the Federal Reserve Board, who, as a member of the International High Commission, went to the Pan-American conference at Buenos Aires in April and who has returned to Washington, is enthusiastic over the progress that is apparent in the strengthening of commercial and financial relations between the United States and the South and Central American republics. Mr. Warburg regards the experience of the Latin American business world during the European war as calculated to cement commercial relations with the United States.

However, if we are to secure our position in the world, all legislative obstructions that will stand in the way of a free unfolding of our economic powers must be removed, and I sincerely hope that Congress will not delay in the passing of such amendments to the Federal Reserve act as are necessary in order to place our banks on a par with the important European banking institutions with which they have to compete in foreign countries. Only those who with their own eyes have seen actual conditions can realize the importance of securing these changes and of securing them promptly.

Willard Advocates Federal Railroad Control

PRESIDENT WILLARD of Baltimore & Ohio in an address before American Newspaper Publishers' Association advocated that railway control be centralized in the Federal Government rather than the Commerce Commission and 48 State Commissions and urged that the public be given a voice in deciding the wage controversy. Mr. Willard said.

I believe few if any radical changes in the laws will be necessary and such changes as may be made will be rather changes of detail than of principle. We have already gone a long way toward federal regulation of railroads—much further than is generally supposed, without being fully aware of the change—and it now requires little more than the actual status should be fixed by Congress.

If this country can successfully work out a system of regulation of railroads, including the labor problem, which will result in giving adequate transportation, and yield such returns upon necessary investment as will attract new capital constantly required, it will have done something that has not so far been accomplished under similar conditions by any other nation.

At present, with all its imperfections the American railroad system pays higher wages than paid for similar service in any other country, performs more transportation service for a dollar of invested capital and has lower transportation rates.

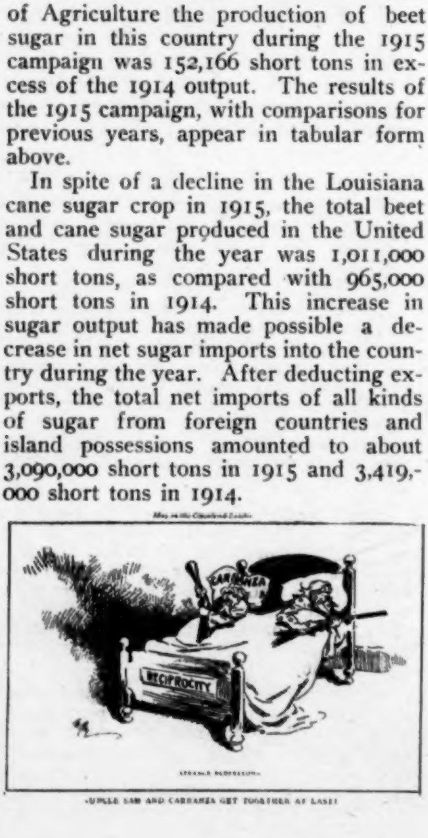
U. S. Beet Sugar Production

AS has been shown in various articles which have appeared in these columns, says the *Economic World*, the beet sugar production of Europe has been seriously affected by the war. It is interesting to find, however, that according to final returns to the Bureau of Crop Estimates of the United States Department of Agriculture the production of beet sugar in this country during the 1915 campaign was 152,166 short tons in excess of the 1914 output. The results of the 1915 campaign, with comparisons for previous years, appear in tabular form above.

In spite of a decline in the Louisiana cane sugar crop in 1915, the total beet and cane sugar produced in the United States during the year was 1,011,000 short tons, as compared with 965,000 short tons in 1914. This increase in sugar output has made possible a decrease in net sugar imports into the country during the year. After deducting exports, the total net imports of all kinds of sugar from foreign countries and island possessions amounted to about 3,090,000 short tons in 1915 and 3,419,000 short tons in 1914.

BEET SUGAR IN 1915

	1915.	1914.	1913.	1912.	1911.
Factories operating, number	67	60	71	73	66
Average length of campaign, days	92	85	85	86	94
Sugar made, tons	874,220	722,054	733,401	692,556	599,500
Sugar beets:					
Area harvested, acres	611,301	483,400	580,006	555,300	473,877
Quantity worked, tons	6,150,293	5,288,500	5,659,462	5,224,377	5,062,333
Average per acre, tons	10.1	10.9	9.76	9.41	10.68
Average price per ton	$5.67	$5.45	$5.69	$5.82	$5.50



UNCLE SAM AND CARRANZA GET TOGETHER AT LAST!

"Trade War With Old World"—J. A. Emery

JAMES A. EMERY, counsel to the National Metal Trades Association, speaking at the closing session of the annual convention of the organization at the Hotel Astor, warned his hearers that peace in Europe would be the signal for a fierce economic struggle between the commercial and industrial forces of the Old World and the New. His theme was "Industrial Preparedness."

I believe this nation faces war, said Mr. Emery. Not a sanguinary contest between thundering cannon, but an economic contest between the commercial and industrial forces of the Old World and the New, a desperate contest of economic methods and organizations for the marketplaces of mankind—a battle that began with the first traders and will continue as long as men produce more than they can consume.

The world contest of peace succeeding that of war, will be fought with trained men in shops and commerce, as the present vast conflict is being fought by trained men who, to win, must have behind them superior capacity in shop and office. It is no hour for watered capital or watered labor, but for management trained to the moment and operatives conscious that harmonious cooperation and intelligent self-interest can alone insure the joint industrial success of employer and employe.

Busting the Busters

THE Department of Justice at Washington is not having everything its own way as much as it did. The courts are ruling "in the light of reason," for the public is demanding constructive and not destructive action by those in authority, observes *Leslie's*.

In the United States Circuit Court Court of Appeals of Chicago Judges Julian W.

Mack and Francis E. Baker have dismissed the anti-trust suit against the Quaker Oats Company on the ground that no evidence of actual monopoly nor any attempt to monopolize the trade was shown by the Department of Justice. This is just what we expected.

The Supreme Court at Washington has declared unconstitutional the law passed by Louisiana last year aimed at the American Sugar Refining Co. This preposterous statute made it presumptive proof that a refining company was engaged in an illegal monopoly if it bought sugar for less in Louisiana than in other States and if it allowed its refinery to stand idle for more than a year. The Supreme Court of the United States in this case has taught a lesson not only to the busters and smashers of Louisiana, but also to those of every other State.

And finally, the New York Herald wants to know, what comfort the demagogues, who are eager once more to bust the Standard Oil Company because of the rise in gasoline, find in the report of the Federal Trade Commission, that the above company has been charging the consumer about a cent a gallon less than the independent concerns.

The light is breaking. The dawn of a better day appears.

Let the thinking people rule.

Big Increased Copper Production

ACCORDING to a statement issued by the United States Geological Survey, smelter production of primary copper in the United States in 1915 was 1,388,000,000 pounds, compared with 1,150,000,000 pounds in 1914, an increase of 21 per cent. The total value of the 1915 output at an average price of 17.5c.

"COME WITH ME, SONNY, TO THE WOODSHED"
From the *Post-Intelligencer* (Seattle)

a pound is $242,900,000, compared with $152,900,000 for 1914.

The production of electrolytic, Lake, casting and pig copper from primary sources and the production of secondary copper by the regular refining plants in 1914 and 1915 is shown in the accompanying table, given in pounds:

The apparent consumption of refined new copper in the United States in 1915 was about 1,043,000,000 pounds. In 1914 it was about 620,445,373 pounds. The method employed in determining the quantity of copper retained for domestic consumption is shown in the following table, which does not include stocks of copper held by consumers:

PRODUCTION OF COPPER

	1915.		1914.	
Primary—	Domestic. Pounds.	Foreign. Pounds.	Domestic. Pounds.	Foreign. Pounds.
Electrolytic	1,114,345,342	246,498,925	991,573,073	323,358,205
Lake	236,757,062	....	158,009,748	....
Casting	21,555,129	....	21,506,325	....
Pig	15,047,990	....	39,334,043	....
Total primary	1,387,705,523	246,498,925	1,210,423,189	323,358,205
Grand total		1,634,204,448		1,533,781,394
Secondary electrolytic		38,156,789		27,702,928
Secondary casting		21,417,901		4,224,052
Total secondary		59,574,690		31,926,980
Total output		1,693,779,138		1,565,708,374

CONSUMPTION OF COPPER

	1915.	1914.	1913.
Total refinery output of new copper	1,634,204,448	1,533,781,394	1,615,067,782
Stock at beginning of year	173,640,501	90,385,402	105,497,683
Total available supply	1,807,844,949	1,634,166,796	1,720,565,465
Refined copper exported	681,953,301	840,080,922	817,911,424
Stocks at end of year	82,429,666	173,640,501	90,385,402
Total withdrawn from supply	764,382,967	1,013,721,423	908,296,826
Apparent consumption	1,043,461,982	620,445,373	812,268,639

If to the 1,043,461,982 pounds of new refined copper is added the 392,274,000 pounds of secondary copper and copper in alloys produced during the year, it is found that a total of about 1,435,000,000 pounds of new and old copper was available for domestic consumption.

Expert Financial Opinion

National City Bank of New York.—Corporations which are making large profits are pursuing a very conservative course as to dividends. They are paying off indebtedness, improving their facilities, laying by reserves in interest-bearing securities and strengthening their position in every possible way. This policy makes for greater efficiency and stability in the future, and will probably yield in the long run greater permanent results to the public, and to wage-earners and shareholders as well, than a larger distribution of wages or dividends at this time.

Clark, Childs & Co.—It cannot be denied that more investors are every day taking the view that the recent breaks in the market have, to a considerable extent, discounted the worst that could happen.

Hayden, Stone & Co.—The market is again in a position to respond to new developments. The dangerous situation of a month ago has been cured by the recent break, and, on the other hand, what might have proved valuable support has been eliminated by the subsequent rally. We feel that public commitments are still rather large and either important new developments or else a lower level of prices must materialize before a large new buying power can develop.

F. L. Milliken & Co.—There are, without doubt, many genuine bargains among the railroad stocks and several will be in position at any rate to increase dividends within the next year or two.

National City Bank of Chicago.—In such conditions as prevail today the country has to live a day at a time and trust Providence for the rest. No one can tell when the war will end and no one can tell just what the outcome of the submarine dispute will be. The United States has gained immense economic prestige by staying out of the war and providing other nations with things which they were willing to pay high prices for. One financial authority has recently figured out that we have taken back about one and one-half billion dollars worth of foreign-owned American securities, besides advancing fully as much more to the foreign nations which have applied for loans here. However trustworthy this estimate may be, it stands to reason that the American market has stood the test well. The general outlook for the United States would be wholly reassuring, were it not for the vexatious problems encountered in Europe and Mexico.

American National Bank of San Francisco.—Hardy adventurers from the Pacific coast who have ventured beyond the Rockies and on the Atlantic seaboard, report a saturnalia of money-making and money-spending in Eastern centers, with prosperity perching upon the shoulders alike of the great and the lowly. Thus far only faint murmurs of the boom have reached this side of the continent, but we are in a receptive mood. Consensus of intelligent opinion is that brisk business conditions will obtain in America at least during the present year, regardless of European war developments.

Richardson, Hill & Co.—With commodity prices at abnormally high figures in the great majority of instances, there is naturally a general feeling of uneasiness over the probability of an approaching readjustment to normal levels. The real question, however, is not whether this will take place, for sooner or later it is a certainty. The problem is, rather, whether present prices represent the peak of the advance, or are to forge on to still higher levels. Certainly the insatiable demand for raw materials gives no surface indications of culminating, or even slackening. Security prices as a whole are but few points higher than at this time last year, and when this is weighed in connection with the enormous expansion of business in the same period, and with the outlook for its continuance, a moderate improvement in the stock market seems justifiable.

How to Figure Foreign Exchange

A Simple Method Which Brings a Complicated Matter to a Readily Understandable Basis — Need for Such a System

By ALBERT KASTAN

ALMOST everyone is today interested in foreign exchange quotations, not only commercial interests but also individuals who are constantly engaged in international money transactions. Notwithstanding this important rôle played by the foreign exchange market, most of the laymen and even some bankers are quite unfamiliar with the quotation of rates and what is expressed thereby. The reason for that is found in the fact that our present system of quotations is so complicated that no one but an expert who is in constant touch with the market and devoting his time to practically nothing else, can be expected to be fully familiar with all the intricacies. There is no accepted standard by which the money value of foreign monetary units is quoted in the American market. Take for example the quotation of France: Francs are quoted on a basis of the value of $1 in Francs, while Spanish currency is quoted on the basis of the value of 100 Pesetas in Dollars; German Marks are quoted in relation of the value of 400 Marks; Austrian Kronen on the basis of 100 Kronen and Italian Lires again on the basis of the value of $1 in Lires.

Simplifying Exchange

All this confusion can be avoided if the money quotations of our country can be put upon the basis of the value of 100 units, that is to say, how many Francs or Marks would be given in the New York Foreign Exchange market for 100 Dollars, or to express it differently, how much 100 Marks or 100 Francs for instance are worth in a certain market in Dollars?

This idea can be extended throughout the world and each market can quote foreign monetary units on the basis of how many thereof would be given in the local market for 100 of whatever the local money standard is. That is to say, in New York all quotations would be based upon $100, in Paris on 100 Francs, in London on 100 shillings (to avoid the figuring of pounds).

To demonstrate the idea I have made up the following table, which will show to anyone, even a layman, at a glance what he will get for 100 Dollars in this market. It shows that he would get in London 411 Shillings, in Berlin 419 Marks, etc., while the interested party in Paris can readily see how many Dollars or Shillings or Marks he will receive for 100 Francs. The writer has taken as a standard in this table the normal quotations (parity of exchange) and the quotations that prevailed in New York on April 10, 1916.

Clear to All

To adopt such a standard of quotation would make the foreign exchange market clear to anyone. In his past extensive occupation with the foreign exchange market the writer has found that many mistakes, particularly in the pressure of haste, readily occurred through the necessity of having to add in some cases to the quotation value and subtract again in others. It has recently happened quite often that Francs were sold here at a higher figure instead of lower. As the quotations exist at present in order to sell or buy exchange with a profit, a foreign exchange dealer must sell Pounds at a higher figure, but Francs and Lires, for instance, at a lower figure.

If the proposed system is adopted, as illustrated by the accompanying table the foreign exchange dealer cannot even in hurried moments be confused by the various exchange quotations. He has but one thing to remember, that is, in order to make a profit on the transaction, he must sell at a lower figure than his quotation reads.

	London		Paris		Rome		Petrograd		Berlin		Vienna		New York		Scandinavian Countries		Madrid		Amsterdam	
	England		*France*		*Italy*		*Russia*		*Germany*		*Austria*		*U. S. A.*		*Scandinavia*		*Spain*		*Holland*	
	Per 100 Shillings		Per 100 Francs		Per 100 Lires		Per 100 Rubles		Per 100 Mark		Per 100 Kronen		Per 100 Dollars		Per 100 Kronors		Per 100 Pesetas		Per 100 Guilders	
	Normal	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916	*Normal*	10 April, 1916
Shillings **London**	100.00	*98.91*	79.24	*69.60*	79.24	*63.77*	211.43	*131.68*	97.85	*75.77*	83.00	*51.77*	411.00	*419.35*	109.77	*125.77*	79.24	*81.26*	165.17	*180.26*
Francs **Paris**	126.11	*143.64*	100.00	*86.05*	100.00	*91.54*	266.65	*189.11*	123.45	*108.77*	104.69	*74.38*	518.26	*602.25*	138.38	*180.68*	100.00	*116.66*	208.29	*258.97*
Lires **Rome**	126.11	*156.93*	100.00	*109.23*	100.00	*78.79*	266.65	*206.61*	123.45	*120.84*	104.69	*81.26*	518.26	*658.00*	138.38	*197.40*	100.00	*127.45*	208.29	*282.94*
Rubles **Petrograd**	47.29	*75.95*	37.49	*52.86*	37.49	*48.40*	100.00	*61.03*	46.29	*57.52*	39.26	*39.33*	194.35	*318.47*	51.89	*95.54*	37.49	*61.68*	78.11	*136.94*
Mark **Berlin**	102.15	*132.04*	81.00	*91.90*	81.00	*84.15*	216.00	*173.84*	100.00	*75.82*	84.80	*68.37*	419.85	*553.63*	112.09	*166.09*	81.00	*107.23*	168.72	*238.06*
Kronen **Vienna**	120.46	*193.12*	95.49	*135.22*	95.49	*123.07*	254.70	*254.25*	117.92	*146.23*	100.00	*61.13*	495.04	*809.71*	132.17	*242.91*	95.49	*156.84*	198.96	*348.17*
Dollars **New York**	24.33	*23.85*	19.29	*16.60*	19.29	*15.20*	51.45	*31.40*	23.82	*18.06*	20.20	*12.35*	100.00	*100.00*	26.70	*30.00*	19.29	*19.37*	40.19	*43.00*
Kronors **Scandinavia**	91.13	*79.50*	72.25	*55.33*	72.25	*50.66*	192.69	*104.67*	89.21	*60.20*	75.65	*41.00*	374.53	*333.33*	100.00	*112.44*	72.25	*64.56*	150.52	*143.33*
Pesetas **Madrid**	126.11	*123.12*	100.00	*85.70*	100.00	*78.47*	266.65	*162.10*	123.45	*93.25*	104.69	*63.76*	518.26	*516.26*	138.38	*154.87*	100.00	*100.41*	208.29	*222.00*
Guilders **Amsterdam**	60.54	*55.46*	48.00	*38.60*	48.00	*35.35*	128.01	*73.02*	59.26	*42.00*	50.26	*28.72*	248.82	*232.56*	66.43	*69.76*	48.00	*45.05*	100.00	*107.00*

The figures in *italic* in the squares show the percentage relation of the present quotations to what is accepted as normal.

Example.—To find how many Dollars are required to buy 500.00 Francs, follow the top line to the "Paris" (France) column and then go down until you come to "New York" (United States). You will find there the rate (10 April, 1916) \$16.60 per 100 Francs, or: 16,60 × 500 = \$83.30. Or: To find how many Marks (Germany) are required to pay a bill of \$650.00 to Germany. Follow the top line to the "New York" (U. S. A.) column and then go down until you come to "Berlin." (Germany). You will find there the rate (April 10, 1916) M. 553.63 per 100 Dollars, or: 553.63 × 650 = M. 3,598.60.

Money and Exchange

Increase in Banks' Holdings of Securities—Sterling Weak and Marks Strong

WHILE changes in money rates have been trifling, they show that borrowers are inclined to be ready for possible higher rates later in the year. There is some disposition, for example, to exchange call money for time money, and this has resulted in a slight advance in the rates for three to six months' money on stock exchange collateral. So far, however, the movement has not developed into anything of great importance, and the prospect now is that money rates will remain about as at present until the early fall.

Low money rates have resulted in a great increase in the security holdings of the banks throughout the country. Since June, 1915, the total of securities owned by New York banks and trust companies has risen nearly $200,000,000, or about 30 per cent. The increase outside of New York City is not exactly known but it has doubtless been in a smaller ratio than at New York.

The foreign exchange market is now more interesting than the money market, as has been the case for a year and a half. Demand sterling recently broke below $4.76 as a result of our big exports, after having been supported above that figure for a long time by the British Government. It is not believed, however, that this slight decline has any great significance. Last December eight London banks arranged a credit here for $50,000,000 at 4½ per cent, to run six months, and it is understood that this credit has never been drawn upon. It will not expire until June 20, and would be available for the support of the exchange market here if necessary.

It is understood also that the British Government still has a large amount of security collateral on deposit at New York, resulting from the steps taken to mobilize American securities in England, which can be sold or made the basis of a loan to stabilize exchange when needed. Everything indicates that Britain has control of the American exchange situation and will be able to maintain that control substantially unbroken for some time to come.

French exchange has rallied from its recent weakness. The French Government will follow the example of England by laying early plans to stabilize French exchange here. It is currently reported that France recently placed a loan of $30,000,000 at Chicago. The French authorities are now engaged in collecting neutral collateral on which to borrow in this market. Such loans will evidently be necessary if French exchange is to be maintained and it is not believed that Paris will allow the situation to get entirely out of hand.

The advance of over five points in German exchange has been laid to renewed liquidation here of American securities held in Germany, owing to the strained relations between the two governments, but definite information is necessarily lacking, as any such sales of securities have to be made quietly. Withdrawal of New York balances by German banking interests in South America has also tended to strengthen our German exchange rate. Because of the very light business now done between New York and Berlin, it takes only a small transfer of any kind of property to affect the exchange rate.

Practical Talks to Investors

A new principle in judging bonds

A new principle is to be established in judging railroad bonds if the plans of the roads mentioned are to be accepted as they now stand. In these plans the commercial position of the piece of road under consideration has been given precedence over the legal position of the bonds under consideration. That is to say, the reorganizers are attempting to scale and adjust securities on the basis of what a certain piece of lien is worth as a traffic producer to the whole system, rather than on the basis of the strength of line any bond has on that piece of lien.

If this is to prevail it can be easily seen that hereafter an investor will have to look very carefully when buying a railroad bond on a branch line or subsidiary. If the bond is a lien, even a junior lien on a very important and indispensable part of the property, that is different. When troubles come, that bond is not likely to suffer severely. But if the bond is ever so good a mortgage on an unimportant or thin traffic producing line, then when default and receivership come, the bond is likely to be rather lightly treated in any reorganization scheme.

Don't therefore, be guided by the degree or character of the lien if it is at all possible to get at the commercial importance of your section of line to the whole system.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

IV. Foreign and Domestic Exchange—Balance of Trade

By G. C. SELDEN

THE subject of foreign exchange is usually considered so complicated that the average man makes no effort to understand it except in the most hazy and general way. Yet the principles on which it is based are simple and even the details of exchange operations are not so difficult as they are commonly esteemed.

Suppose, for example, that A, an American dealer in cotton, makes a sale to the value of £10,000 to a Liverpool firm, B. Of course, B does not want to go to the expense and trouble of sending £10,000 in gold to America, so he cables A to draw on C, a London banker with whom B has a deposit, for the amount due. A then makes a draft, or bill of exchange, on C for the £10,000 and deposits it in his New York bank, where he is credited with the value of the draft in dollars at the current rate of exchange.

The draft is usually accompanied by the bill of lading and insurance receipt for the shipment of cotton, and it may be payable on demand or in 30, 60 or 90 days, according to A's arrangement with B. Interest on the money up to the date when it can be actually obtained in London is deducted from the credit allowed A by the New York bank.

Since there is always a large general trade in all sorts of merchandise between England and America, a great quantity of these bills of exchange are always afloat in New York. They are transferred by indorsement just like checks, and of course the more indorsements they bear the stronger they become. Hence a market arises for them and they are sold back and forth like stocks or wheat. When the demand exceeds the supply the price of exchange rises above par—which is $4.8666 for the amount of gold contained in the pound sterling—and if the supply exceeds the demand the price falls. Thus we have a daily market price for sterling exchange and in the same way for exchange with all other commercial countries.

The upper limit of the exchange rate is the cost of shipping gold to make the necessary uayment, and the lower limit is the cost of importing the gold; for the American banker who must make a certain payment at London would be foolish indeed to pay more for a bill of exchange than it would cost him to send the gold—gold being the only form of money that is generally acceptable in making international payments. The gold export and import points vary with the cost of freight and insurance on the gold. Under normal conditions the export point is about $4.884 and the import point $4.833.

Thus the main factor in fixing exchange rates is the relation between the amount of money we owe other countries and the amount they owe us.

Influence of the Money Rate

There is, however, another factor which often has considerable influence, and that is the relative interest rates on money in the two countries involved. Every bill of exchange represents money and money may be worth a higher rate of interest in New York than in London. In that case the London banker to whom a payment is due will naturally prefer to leave the money in New York and have it loaned out at interest there. Hence New York does not have to make the payment at London at that time, this decreases the demand for New York exchange on London, and therefore the sterling rate at New York falls. Likewise if interest rates are higher in London, New York bankers want to send money there to be loaned, which increases the demand for sterling exchange and raises the rate at New York.

Eventually, however, whatever is owed has to be paid, so that the influence of money rates is only temporary.

Domestic Exchange

The principles of foreign exchange apply in exactly the same way to domestic exchange between the various cites of one country. In England this is known as "inland exchange."

At New York, for example, exchange rates are regularly quoted on Boston, Chicago, St. Louis, San Francisco, etc., and these rates go to a premium or a discount according to whether the balance of payments between two cities is in favor of one or the other. In this case shipments of money can be made in currency and not necessarily in gold, but the money will not move from one city to another unless it is cheaper to send it than to buy a draft at the current rate of exchange.

How International Payments Arise

When we begin to go deeper into the subject and discuss the various reasons which lead people to want to make payments in other countries, and therefore affect the rates of exchange, we naturally find many complications, for these reasons cover pretty much the whole field of financial, economic and business conditions.

Broadly speaking, international payments arise from:

(1) The purchase and sale of merchandise, including all raw and manufactured products.

(2) Securities bought and sold.

(3) Interest payable on foreign investments.

(4) Money loaned abroad and its repayment.

(5) Expenses of travellers.

(6) Freights and insurance, payable to the country where the shipping or insurance companies are located.

(7) Remittances by immigrants, whether gifts to individuals or deposits in foreign banks.

With the exception of the first, the amounts of these several items can only be roughly guessed at. Our Government keeps a record of merchandise exports and imports, although it is to be feared that it is not as accurate as might be desired. Imports, in particular, are often undervalued in order to reduce the amount of *ad valorem* duties to be paid. The totals of exports and imports, of merchandise and gold separately, are given to the press monthly.

In regard to the other items only indefinite estimates are possible.

Finance Bills

Item (4), money loaned abroad, is especially important, since it may radically affect the rate of exchange, especially between New York and London. Temporary loans between the bankers of the two cities are effected by means of "finance bills," as they are called, which are in essence nothing but 30, 60 or 90 day notes, issued in the form of bills of exchange drawn on foreign banks. During periods of very high money rates at New York, the bankers of that city have often sold these finance bills to London in large amounts, lending the money thus obtained at rates returning a satisfactory profit.

The operation represents merely a transfer of credit. London banks are glad to get the finance bills, as they can thus get a higher rate of interest than could otherwise be obtained with the same degree of security, and the New York banks in turn are able to make a profit by reloaning the money at a still better rate.

In times of panic the extensive issue of finance bills has several times affected the exchange rate so much that many millions of gold have been transferred from London to New York as a result.

An International Clearing House

It will be seen that the foreign exchange market as a whole serves as a sort of international clearing house, by which all the international business transactions of the world are offset against one another so far as it is possible for that to be done, so that the actual transfers of gold needed to balance the account are few and far between in comparison with the the tremendous aggregate of the business handled.

Foreign and domestic exchange do for

business substantially what the bank clearing house does for bank checks.

Exchange operations frequently become very complicated. For example, suppose an American manufacturer has sold $10,000 worth of agricultural machinery to Russia, a Russian grain dealer has sold $10,000 of wheat to Germany, a German exporter has sold a like value of toys to South America, and Brazil has sold the same amount of coffee to London, while London has loaned $10,000 to New York on finance bills. Evidently these transactions, taken together, will balance each other without any transfer of gold; but before that can be accomplished it is necessary for the bankers of the five different countries to get in touch with each other in some way.

London, by the prolonged leadership of England in foreign commerce, has grown to be the center through which such roundabout transfers of foreign exchange are handled. It has always been, up to the beginning of the European war, the foreign exchange clearing house of the world, and it is likely that it will resume that position after the war is over.

Balance of Trade

The term balance of trade is applied to the excess of a country's merchandise exports over its imports, or the excess of imports over exports. For a long time it was generally believed that, for a country to be truly prosperous, it must export more merchandise than it imported, thus getting a money balance in its favor.

The absurdity of the idea is evident when we consider the prosperity of the world as a whole. It would be manifestly impossible for all nations to go on continuously importing gold on balance, hence, according to this theory, one country could prosper only at the expense of some other country. Economists have long since come to see that foreign trade is mutually beneficial to all the nations involved. If England is short of wheat and America is short of tin, it is plainly to the advantage of both to exchange wheat for tin.

Moreover, as we have already seen, our foreign trade in merchandise is only one of numerous factors which affect the exchange market and eventually lead to the export or import of gold. Under normal conditions the United States has a big yearly excess of merchandise exports over imports, and this excess goes to pay the interest on our securities owned abroad, expenses of our foreign tourists, transportation charges owed to foreign steamship companies, etc. Some of these items will be reduced as a result of the war, especially that representing the balance of interest payments due abroad.

But although our exports or imports balance has no permanent significance, it does have an important bearing on our immediate prospects for prosperity or depression in business. An unusually large export balance of merchandise means an early flow of gold and credit to this country, and that must necessarily exercise a powerful and beneficial effect upon our industries and our security markets. On the other hand, if our exports balance falls to a low level or is even transformed into an import balance—as occasionally happens—gold or credit or both will flow out of our banks to foreign countries, to our temporary disadvantage.

For this reason Wall Street always watches the gold movement closely and studies the monthly figures of our merchandise balance of exports or imports.

An unusually heavy movement of exports may not result in immediate gold imports, for our bankers may prefer credit to gold. If our bank reserves are overflowing with gold, there is no advantage in drawing more gold from abroad simply because it is due us on the balance of our merchandise exports over imports. If London owes New York $100,000,000 as a result of our big exports, New York may prefer to leave the money at interest in London, and, of course, will do so if the interest rate is higher abroad than at home.

Considered as a broad economic question, there is neither advantage nor disadvantage in a "favorable balance of trade." But the immediate effect of such a balance on our business conditions is always stimulating.

NOTE.—The next article will discuss corporations as an element in the business of Wall Street.

BONDS AND INVESTMENTS

Ripening Investments

Opportunities for the Shrewd Business Investor to be Found Among Unseasoned Securities—Several that Combine Comparative Safety with Large Return on Money

By FRED L. KURR

THE American public has been so deluged with new securities the past year that it is inclined to be skeptical in regard to all the innovations, and for its investment funds prefers to take on the well seasoned securities, even though the income yield is considerably less.

Now there is no question but the investor that is looking for safety first regardless of any other consideration, should place considerable importance on how well seasoned a security is. The test of time is an acid test, and the security that has held up well through periods of business depression is undoubtedly deserving of an added value. For the investor that admits little knowledge of financial affairs and who has not much confidence in his ability to judge values, I should say that he would do well to limit himself entirely to securities that have been well weather-beaten.

Safe Investments

It is a comparatively easy matter to invest one's money safely if all the requirements of a safe conservative security are insisted upon. There must be a large margin of safety over dividend or interest charges, even in periods of dull business. The company must have demonstrated this earning power over a long period of years. The company's management must have a reputation for conservatism and have maintained the company in strong financial condition. The security must not show too great a fluctuation in price from year to year. With all these safeguards the security chosen will be a very safe investment, but the investor must be prepared for a comparatively small return on his money without much chance of a material appreciation of the principal.

But how about the investor that does keep himself well informed on financial matters, who has studied securities and who has confidence that he is capable of judging values, at least to a certain extent. Is it not a fact that this knowledge should enable him to pick out a security that, while not perhaps thoroughly seasoned, is a reasonably safe investment and gives a very much more generous return on the money than one that is thoroughly seasoned? I believe it should. Of course it must be remembered that among the great number of unseasoned securities there are many of very doubtful value and the investor requires the experience that will enable him to separate the wheat from the chaff. But if he takes the trouble to do this, the result should be that he will obtain a security that offers a very generous yield and the probability of an increase in the principal, combined with reasonable safety.

Opportunities in New Issues

The big bull market of last year offered a wonderful opportunity to sell new securities to the public and it was duly taken advantage of. As a result of this the public was hung up with a lot of highly speculative stocks, the market for which, in some flagrant cases, almost

dropped out of sight. All of this has made the public very wary and as a result some of the newer issues of undoubted value are selling at what appears to be very attractive prices without any pressing demand materializing.

In this article I will draw attention to a few of the newer issues that can be considered as ripening investments. That is to say they still have somewhat of a semi-speculative tinge, but are in such strong position that it would appear to be only a matter of time and consequent seasoning before they take their place as conservative investment stocks. The semi-speculative tinge that they have at the present time would appear to be due entirely to their newness to the investment field. The three stocks I shall take up are Maxwell Motor 1st preferred, Cuban Cane Sugar preferred and Crucible Steel preferred. These three are chosen because they meet the following requirements: Dividend being earned several times over, company in strong financial condition, large yield on money invested and bright outlook for the future.

Maxwell Motor

Maxwell Motor Co. is capitalized with $14,929,136 7 per cent. cumulative preferred stock, $10,127,468 6 per cent. non-cumulative 2nd preferred stock and $12,778,058 common. The first preferred stock will be $14,929,136 outstanding, as above noted, when all the dividend warrants recently issued (to refund 14¼ per cent cumulated back dividends) have been converted into first preferred stock. Considerably over two thirds have already been converted. There are no bonds or other debts with the exception of about $15,000 real estate mortgages.

The first preferred stock, which is preferred as to assets as well as dividends, is therefore the first lien on the property and assets of the company. There is big equity behind this stock. On October 31, 1915, the company issued a balance sheet which showed that it had excess current assets over current liabilities of approximately $9,000,000 of which amount $4,438,000 was cash. This is equal to about $60 per share on the first preferred. In the six months since that report was made, working capital can be conservatively estimated as having increased about $2,000,000 so that the liquid assets of the company at the present time must be nearly $75 per share. In addition to this there is of course the real estate buildings and equipment of the company and other assets, valued at close to $6,000,000, behind the stock. There is a sinking fund providing for the retirement of 1 per cent of the outstanding first preferred annually.

Earning Power

Now that the equity behind the first preferred stock is established, what of the earning power? At the present time this is Maxwell Motor's strong suit. For the year ended July 31, 1914, the first year, earnings were equal to 14.4 per cent on the first preferred stock; for the year ended July 31, 1915, the company earned 18.8 per cent on the first preferred. Earnings for the current fiscal year are going to make these previous earnings look insignificant. It is estimated, and these estimates are reliable, that the first preferred dividend will be earned five or six times over. Such profits are, perhaps, to be regarded as abnormal in view of the present boom conditions in the automobile trade. It is true boom conditions do not last forever, but when one considers that the present profits of Maxwell Motor can be cut to one fifth and the first preferred dividend still be earned, it appears that the first preferred dividend should be safe even if there is a considerable slump in the automobile trade.

At present price of 83 the yield is 8.4 per cent and presents the opportunity for a large return on the investment with comparative safety.

Cuba Cane Sugar

Cuba Cane Sugar Corporation is capitalized with $50,000,000 7 per cent cumulative preferred stock and 500,000 shares of common stock, no par value. The preferred stock is convertible into the common share for share at any time. This preferred stock has excellent equity

behind it. The preferred stock was subscribed for at par with a bonus of common stock thus raising $50,000,000 cash. For the plantations and equipment $43,000,000 was paid in cash leaving $7,000,000 working capital. It is generally conceded that the plantations were obtained at a very reasonable figure as the options had been secured before the big increase in the price of sugar took place.

But there is to be still further equity behind the preferred. It was provided in the organization that no dividends on the common stock should be paid until "a sum equal to two years' dividends on the preferred stock, say $7,000,000, shall have been accumulated out of future profits and that no dividends on the common shares shall be paid, at any time which shall reduce the accumulated profits of the company below that sum." Thus any depression in the sugar market that may occur will not jeopardize the preferred dividend unless it lasts an unprecedented length of time.

Present Earnings

Cuba Cane Sugar's earnings are running far ahead of what its promoters expected because of the advance in the price of sugar. President Rionda recently announced that earnings for 1916 would be equal to at least $20 a share on the common stock and this is believed by many to be very conservative for, if the present price of sugar is maintained for the balance of the year, in excess of $25 a share should be shown. Earnings of $20 a share on the common would be sufficient to provide the entire $7,000,000 two year preferred dividend fund and leave a balance of $6 per share for the common which could be immediately paid out in dividends.

At present price of 94 the preferred stock yields 7.4 per cent on the investment. As soon as this security has been more thoroughly digested by investors it should command a price of well over par.

Crucible Steel

While Crucible Steel preferred stock is by no means a new security, this company has made such enormous strides in the past eighteen months that its securities can no longer be judged by past performances. New plants and additions and improvements to old ones costing several millions of dollars have greatly improved the position of this company in the steel trade. The company's new plant at Harrison, N. J., is one of the largest ordnance plants in the country. At Syracuse, N. Y., the Crucible Steel Co. has built up the largest plant in the world for the production of fine tool steel. Moreover all these improvements and additions have been taken care of out of current earnings.

Crucible Steel is the leading company in the country for the manufacture of highly specialized steel. The demand for this product has increased enormously and the demand is likely to continue. The enormous increase in automobile production has had a good deal to do with this, and there is likely to be little abatement in the demand from this source. Even with the war over Crucible Steel should be able to get enough business to make very handsome profits.

Current Earnings

The company is capitalized with $25,000,000 7 per cent. cumulative preferred stock and $25,000,000 common. Principal and interest is guaranteed on $7,850,000 5 per cent bonds of subsidiary companies. There are 24¾ per cent back dividends due on the preferred stock. In view of the earnings the company is now showing there is little doubt but that the management is in a position to clean up these back dividends this year if it so desires. For the fiscal year ended August 31, 1915, net earnings available for dividends were $3,073,750, equal to 12.3 per cent on $25,000,000 preferred stock. The following table shows how net earnings have increased each month since August:

September, October, November	$3,000,000
December	1,760,000
January	1,600,000
February	1,950,000
March	2,200,000
Total (7 mos.)	$10,510,000

Thus for the seven months ended

March 31, 1916, Crucible Steel earned 42 per cent on the preferred stock or at the rate of 72 per cent per annum. The reason that no back dividends have been paid as yet is because, as above stated, the money has been used to increase the company's plant capacity. There will be no let up in current earnings for several months to come at the very least.

Attractive Investment

Crucible Steel preferred is selling around 113, deducting the back dividends of 24¾ per cent would bring the price down to 88¼. Crucible Steel with its increased plant capacity should in the future find no difficulty in maintaining the 7 per cent. dividend which requires only $1,750,000 a year, considerably less than the company is now earning per month.

The three above examples are typical of the opportunities that some of the unseasoned securities offer to the shrewd investor. While the flood of new securities and the manipulation of old ones to prices far beyond their actual value has undoubtedly caused the public to purchase gold bricks, there have been many good stocks like these to be picked up at bargain prices.

Capital and Labor

Capital cannot move a wheel without Labor, nor Labor advance beyond a mere primitive existence without Capital. But with Labor and Capital as partners, wealth is created and ever greater productivity made possible. In the development of this partnership, the greatest social service is rendered by that man who so co-operates in the organization of industry as to afford to the largest number of men the greatest opportunity for self-development, and the enjoyment by every man of those benefits which his own work adds to the wealth of civilization. This is better than charity or philanthropy; it helps men to help themselves and widens the horizon of life. Through such a process the laborer is constantly becoming the capitalist, and the accumulated fruits of present industry are made the basis of further progress. The world puts its richest prizes at the feet of great organizing ability, enterprise, and foresight, because such qualities are rare and yet indispensable to the development of the vast natural resources which otherwise would lie useless on the earth's surface or in its hidden depths. It is one of the noteworthy facts of industrial history that the most successful enterprises have been those which have been so well organized and so efficient in eliminating waste, that the laborers were paid high wages, the consuming public—upon whose patronage the success of every enterprise depends—enjoyed declining prices, and the owners realized large profits.—JOHN D. ROCKEFELLER, JR., in *The Atlantic Monthly*.

——The contented man is never poor; the discontented never rich.—George Eliot.

Bond Inquiries

Amer. Straw Board

R. W. S., Albany, N. Y.—The bonds of the American Straw Board Company due February 1, 1916, have been extended for two years. This company has not recently issued a statement of earnings. The last report covered the period ended December 31, 1911, when there was a deficit of about $60,000. We regret that we are unable to obtain a quotation on this bond. The management has not given out any recent information as to how well the company is doing.

M., K. & T. 1st 4's

W. W. N., Mobile, Ala.—Missouri, Kansas & Texas first 4's are amply secured and will not be disturbed in any way by the reorganization of the property. They are a high grade investment bond. The general 4½'s and Missouri, Kansas & Texas of Texas 5's must be regarded as speculative. It is our opinion, however, that you would do best to hold on to these bonds and await the final reorganization of the road. As perhaps you are aware, protective committees have been formed for the general 4½'s and the Missouri, Kansas & Texas of Texas 5's. The reorganization plan has not yet been formulated and we are unable to say just how these particular issues will fare. Missouri, Kansas & Texas of Texas 5's, however, are apparently in a strong position, as the bonds are a first lien on 225.66 miles of road in Texas. There are only $4,505,000 outstanding. A protective committee, headed by Jules S. Bache, of J. S. Bache & Co., has been formed for these bonds. The depository is the Empire Trust Company, 120 Broadway, N. Y. City.

Russian Govt. 5½'s

A. V. D., Worcester, Mass.—We do not consider Russian Government 5½% Bonds a "good sound investment." They should be regarded as a semi-speculative investment. It is still uncertain how long the war will last and the longer it lasts the more the credit of the warring nations will become impaired. As a speculation these bonds we believe have fairly good prospects of showing a profit and a business man might do well to put a small portion of his funds into them.

Chile 7s

C. H. M., Seneca Falls, N. Y.—Chile Copper convertible 7% bonds can be had in $1,000 and $500 denominations. They are convertible into stock of the company any time at par ($25).

Computing Tabulating 6's

B. L., Brooklyn, N. Y.—Computing Tabulating & Recording 6% bonds can be regarded as excellent industrial bonds and reasonably safe. This company has a good earning record, and in recent years has never failed to earn interest charges with a very substantial margin to spare. The management is well regarded and the company is in strong financial condition.

Rock Island Debentures

B. M., Galesburg, Ill.—The interest on the debenture bonds was not paid on April 15, and the holders of these bonds are now in a position to take action if they desire to do so. In view of the efforts that the stockholders are making to reorganize the property, however, it is not thought that the debenture holders will take any drastic action for the time being. It is still too early to say whether the Amster plan will be successful. In case it is not successful another reorganization plan has already been considered. This new plan would also provide for a voluntary reorganization, but on somewhat different lines. The stockholders, under this plan, would simply be allowed to subscribe for new stock, at a certain price, the new stock to be the same as the old. Stockholders not subscribing to have their holdings cut down.

Gulf, Florida & Ala. 5's

H. W. F., Chicago, Ill.—The 5% Gold Bonds of the Gulf, Florida and Alabama Railway, must be regarded as decidedly speculative. The company owns a line from Pensacola, Florida to Kimbrough, Alabama. The road was opened January 1, 1913. For the year ended June 30, 1915 a deficit of $56,099, after interest charges, was reported. Of course, the possibilities of the road have not yet been developed and it may turn out to be an excellent paying proposition. Until it has more thoroughly demonstrated its worth, however, the securities of the company cannot be regarded as other than speculations.

Am. Real Estate Bonds

C. A. B., Chicago, Ills.—No further payments are being accepted on the installment bonds of the American Real Estate Co. We are enclosing the advertisement of the Protective Committee which has been formed. As you will note, this is a very strong committee and we believe that it would be to your best interests to deposit your bonds with it.

War and the "Chemicals"

Tremendous Advances in Chemical Prices and the Market Effects — A Romance of Finance — Earnings and Outlook for Leading Companies

By H. A. BOYLAN

WALL STREET'S interest is being directed in increasing measure to the chemical stocks. At the moment there is no class of securities presenting a more fascinating study for the critic of investment and speculative values. The novel situation in the chemical trade created by the war, the complex character of the business, the manifold uses of chemicals, the important relation of the industry to the nation's welfare and other phases, are topics of absorbing interest. Facts and figures bearing on the progress of the chemical industry in this country during the past year read like romance.

Rise in Chemical Prices

The rise in chemical and drug prices since the war has eclipsed anything in the way of a group price movement the world has ever known. In certain products the advances range from 600 per cent to 1000 per cent and over. The market reached a climax so chaotic early this year, that many quotations were only nominal. In the lists of original package prices on drugs and chemicals 300 to 500 alterations a day became necessary to record the changes that occurred. The two main factors in bringing about this condition were (1) The abnormal demand from manufacturers of explosives and munitions (2) The cutting off of our great source of supply from Germany.

Sensational Advances in Chemical Stocks

Sensational advances in some of the chemical stocks last fall followed the rise in the powder issues, in tardy recognition of the fact that the "chems" were really the primary beneficiaries of the big war contracts placed by the Allies. Chemicals such as sulphuric acid, nitric acid and picric acid, caustic soda, etc., are basic in explosive manufacture and the enormous demand for them at high prices meant huge profits for the chemical companies. Semet Solvay sold from a low of $90.00 a share in 1915 to the equivalent of $700 a share on the basis of its old capitalization. Dow, one of the big dividend payers, rose from $80.00 to $550, its recent high quotation. and General Chemical from $163 to $310.

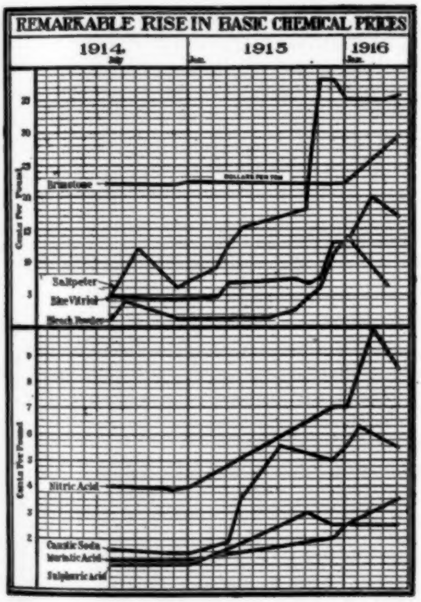
Union Sulphur

Union Sulphur, which is really a mining stock, but is classed with the chemicals on account of the importance of its product in the manufacture of sulphuric acid, has been one of the most marvellous market performers Wall Street ever knew. Mystery surrounds the affairs of the company but it is known that it owns extensive sulphur mines in Louisiana. These, it is said, give it control of 80 per cent of the sulphur supply of the world. Its capital is only $200,000, there being but 2,000 shares of stock. When this newcomer made its appearance in the outside market this year, it was quoted at around $4,500 a share bid. No sales were reported and the bid was advanced, not by one point or 10 points or even 25 points, but 100, 200 and 300 points at a time. Within a few weeks it had risen to $9,000 a share bid without bringing out any stock. It is said that 100 per cent a month is the present dividend rate.

Expansion Since the War

The enormous demand for chemicals

and the dazzling profits of the business has been reflected in a rush to build new plants and launch new manufacturing enterprises. The New York *Journal of Commerce* recently published figures showing that the capital represented by the incorporation of new companies for the manufacture of chemicals and dye stuffs since 1914, is over $117,000,000. The figures do not take into consideration the large amounts expended on extensions of their facilities by the old established concerns. With these additions this country now has probably



(Note.—Muriate of potash on July 1, 1914, was selling at $39 a ton. The high price of $475 a ton was reached in December, 1915, from whence it declined to the present price of about $400 a ton.)

some of the largest acid plants in the world.

Have Chemical Stocks Discounted Conditions?

The question may naturally be asked have not chemical securities discounted the favorable conditions by their advances to unheard of high levels. If the war ends will not profits shrink enormously? In answer it is needless to say that the present profits are abnormal and temporary. They are so extremely abnormal, however, and there has been such an expansion of business and facilities that the liberal dividend rates inaugurated by many companies may be regarded as the forerunners of further increases, especially if the war is prolonged. We exported practically no chemicals prior to 1914, but our foreign business has now reached substantial proportions, particularly in South America. The preparedness program, if carried out on the scale proposed, would mean the consumption of huge quantities of chemicals in the manufacture of explosives and other munitions for Uncle Sam.

Dyestuffs Manufacture

The impression is abroad that the foreign dye industry is veiled in impenetrable secrecy. This theory was exploded by the recent announcement from Washington that practically all the German patents on dye stuffs manufacture have expired long ago and are available in the Government Patent Office to any one who wishes to make use of them. The time limit on these foreign patents is 17 years. Malachite green, one of the most valued basic cotton dyes, was born in 1877, methyl violet in 1861. About the only valuable colors on which the patent rights still hold are the better classes of the sulphur colors and some few others which, however, will be available shortly. Thus it is seen that our own dye stuffs manufacturers can reproduce practically every color that is made abroad.

A protective tariff on dye stuffs and certain chemicals going into their manufacture, is now considered a practical certainty in the chemical trade. Anti-dumping legislation will be essential in order to keep the European nations, particularly Germany, from sending over their surplus products at prices which would be calculated to wreck our newly built up factories.

There follows some brief descriptive data about leading chemical stocks. Of these only General Chemical and American Coal Products are listed. The others are traded in over the counter.

Grasselli Chemical Co.

Grasselli, one of the world's largest producers of chemicals and zinc products, was founded in 1839. Present outstanding capital is $3,023,000 6 per cent preferred and $12,614,800 common, par $100. The company's chemical business is built up around its sulphuric acid supply which is produced largely as a by-product of zinc and zinc ore. It also obtains a large proportion of its chemical bases from the coking and steel plants in the Pittsburgh, Gary and Birmingham districts. Partial list of the chemicals manufactured include (a) acids—sulphuric, muriatic, nitric, aqua fortis, acetic, oleum and oxalic. (b) salts—acetate of soda, phosphate and sulphite of soda, soda ash, iron oxide, caustic potash and arsenate of lead. The company owns outright or controls a large number of zinc-lead mines and treatment mills, with smelting plants in West Virginia. Its Meadowbrook, West Va., plant is the third largest in the world and is equipped with 8,592 retort ovens with a total capacity of 35,000 tons daily. It is reported that earnings for the year 1915 were $4,859,000, an increase of almost $3,000,000 over 1914. Previous to April, 1913, when a 50 per cent. common stock dividend was declared, the rate on the junior issue was 8 per cent per annum. Since the regular rate has been 6 per cent, with numerous extra cash and stock disbursements. In the last quarter of 1915, 5 per cent extra and a special dividend of 10 per cent was paid on the common stock. It is evident that the company is benefiting by the high prices for zinc as well as for chemical products. Spelter has advanced from around 5 cents a pound to over 17 cents a pound since the war.

Merrimac Chemical

Incorporated in 1863 in Massachusetts for manufacture of dyes and chemicals, with works at Woburn and South Wilmington, Mass. Capital stock authorized $1,200,000, outstanding $1,175,720, par $50, no bonds.

This stock has always been regarded as a high class investment issue. The company has an unbroken dividend record of 53 years. Since 1908, 10 per cent has been paid regularly in addition to stock dividends. For the period ended September 30, 1915, indicated net was $388,465, equivalent to 40 per cent on the stock as compared with $126,485 or 15 per cent the previous year. To provide capital for plant extensions this year stockholders were given rights to subscribe at par for 20 per cent. in new stock.

The company has the sole right in this country to manufacture formic acid, a necessity in the textile and tanning trade. It also makes a comprehensive line of chemicals and dye stuffs and it is obvious that present high prices for such products mean increased earnings, which may lead to the declaration of extra dividends. It would appear, therefore, that the investment position of the stock is assured and that its speculative possibilities are large in view of the favorable outlook for the chemical and dye stuffs industry.

CAPITAL REPRESENTED IN INCORPORATION OF NEW CHEMICAL AND DYE COMPANIES SINCE 1914

1916.	
April	$2,575,000
March	1,450,000
February	37,945,000
January	9,525,000
1915.	
December	$10,125,000
November	1,650,000
October	25,525,000
September	800,000
August	3,260,000
July	4,950,000
June	8,450,000
May	5,100,000
April	1,400,000
March	1,925,000
February	750,000
January	1,630,000
Total, 1916 (4 months)	$51,495,000
Total, 1915	65,565,000
Grand total	$117,060,000

Harrison Bros. & Co. Inc.

This company is engaged in the manufacture of paints, varnishes, chemicals, chefly muriatic acid and concentrated sulphuric acid, etc. Owns controlling in-

terest in large deposits of sulphur ore in Virginia. Capital stock outstanding consists of $1,500,000 7 per cent non-cumulative preferred and $2,000,000 common, par $100. Earned for the year ending October 31, 1914, $234,457, 1915, $576,-968. Net for the first quarter of the current fiscal year was over $400,000, or at the annual rate of $1,600,000.

Dow Chemical Co.

This stock has been one of the outstanding features of the market in chemical issues. It advanced from $80 a share to $550 in 1915 and, following a 40 per cent increase in capital this year, the new stock sold from 335 to 385 on further favorable dividend announcements. The company manufactures chloride of lime (bleaching powder), chloroform bromides of all kinds, caustic soda, chloride and chloride compounds, spraying material, etc.

Capital stock is $2,100,000, having been increased from $1,500,000 in February of this year. Recent dividends follow: May, 1911, to May, 1914, 4 per cent per annum; February, 1915, 1½ per cent; April, 1 per cent; May, 1½ per cent, and August, 1¾ per cent. In March of this year a cash dividend of 20 per cent and a stock dividend of 40 per cent. Two special cash dividends of 20 per cent were declared payable April 15 and May 15 respectively.

Solvay Process Co.

Incorporated in 1881 in New York to manufacture soda and products. Capital stock $15,000,000. Has plants at Detroit, Mich., and Solvay, near Syracuse, N. Y. Controls the Solvay Collieries Co., Semet Solvay Co. and through the latter the Kentucky Solvay Coke Co., which subsidiaries are engaged in the operation of by-product coke plants throughout the United States. The annual business of the Solvay Process Co. is about $8,500,000. Its present plants are working at capacity. Two new buildings are under construction at Syracuse to provide for increased output of picric and nitric acids.

Semet Solvay Co.

Has capital stock outstanding of $8,-000,000. All the plants of the company are operating at capacity and the fact that large profits are being realized is shown by the recent extra dividend payments. The last quarterly declaration was 2 per cent and 3 per cent extra, payable May 15, and it is expected that this rate will be maintained.

General Chemical Co.

General Chemical Co., as its name implies, is engaged in the manufacture of a general and extensive line of chemical products. Capital stock outstanding consists of $15,208,300 6 per cent. cumulative preferred and $11,400,000 common of an authorized issue of $20,000,-000 each, which was increased from $10,000,000 each in February, 1915. Recent dividend payments on the common follow: 1912, 6 per cent; 1913, 6 per cent. and 5 per cent, extra; 1914, 6 per cent. and 5 per cent. extra; 1915, 6 per cent. and 15 per cent. extra in stock; 1916 to date, 3 per cent.

Net earnings in 1915 were $6,153,796, against $2,652,143 in previous year.

American Coal Products Co.

The principal manufacturer in this country of coal tar and coal tar products including carbolic acid, benzol, tuluol and naptha; also aniline oil and salt which, with benzol, are used extensively in dye manufacturing. At this writing the stock is still traded in on the New York Stock exchange as American Coal Products, although the name has been changed to the Barret Company. The company has a one third interest in the Benzol Products Co., of which the other two thirds are owned respectively by the General Chemical Co. and the Semet Solvay Co. Earnings from this source are included only in the shape of dividends paid. Net in 1915, $3,121,184, against $1,724,021 in 1914. Common and preferred shareholders were given right to subscribe to 15 per cent. in new common stock at par in October, 1915.

The present dividend rate on the common is 7 per cent Current earnings are variously estimated to be running at the rate of $30 to $60 a share on the common, the latter figure, including the company's proportionate share of the earnings of the Benzol Products Co.

Pres. Earl D. Babst

The "New" American Sugar Refining Co.

The Havemeyer Autocracy and the New Order of Things—Why the Common Sells High—Earnings Outlook and Position of Stocks

By BARNARD POWERS

AMERICAN SUGAR REFINING ranks with the Standard Oil Co. of New Jersey and the National Lead Co., as being one of the oldest of Wall Street corporations. Its beginnings were laid back in those dark ages of American finance when the corporate motto was "Everyone for himself and the Devil take the hindermost." The Sugar Refineries Co., incorporated in 1887 and known as the "Sugar Trust," preceded the present company which came into being in 1891. The Sugar Refineries Co. was launched with the avowed, modest purpose of acquiring control of the sugar industry of the United States, and what is more it accomplished that purpose—for a time. That a new company in these days would not even dare to whisper such an objective is a striking indication of how the times have changed in Wall Street for the better.

Under the leadership of Henry O. Havemeyer the Sugar Refineries Co., and later the American Sugar Refining Co., dominated for many years the sugar refining industry of the United States. Under the iron hand of Havemeyer, competitors were curbed or eliminated. That Havemeyer was a financial genius of the first magnitude no one familiar with him and what he accomplished can gainsay. In addition to his financial ability he had a wonderful intuitive sugar-market sense. Purchasing of "raws," as raw sugars are termed in the trade, is the nub of the sugar refining business, and while Havemeyer was not infallible in that respect, as no one could possibly be, it is certain that no sugar man ever showed a higher percentage over a period of years in gauging the markets. This article is not a defense of H. O. Havemeyer. There were many things he countenanced, undoubtedly, which would not be permitted in these times and which were not in accordance with any strict code of ethics. But it should be remembered that he lived in stern times. Competitors were nothing loath to use the most unfair tactics in endeavoring to down the "Trust," and the Trust had to fight fire with fire or else go under. Just as the Standard Oil Co. fought its early battles with the weapons of the times, namely those handiest and most effective, so the Sugar Refineries Co. fought its battles according to the Hoyle of the day and age.

The New Regime

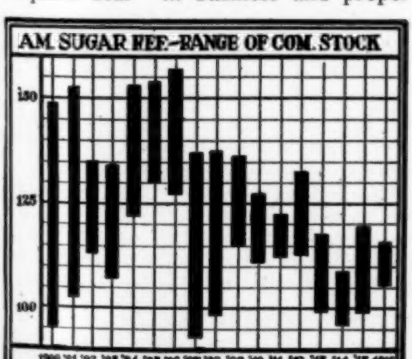
When H. O. Havemeyer passed out of this life on December 4, 1907, the old regime commenced to crumble. He died just before the storm broke which shook the American Sugar Refining Co. to its foundation. A glance at the graphic of common stock price fluctuations, which accompanies this article, shows that after the elder Havemeyer's death the common never sold to anything like its former high levels. In fact, its tendency since that time has been downward, due perhaps to unfavorable conditions in the sugar business as well as the loss of the Havemeyer directorship.

During the last decade the personnel of the American Sugar Refining Co. has almost completely changed, and there is now scarcely any one identified with the management of its affairs who was active under the Havemeyer leadership. In fact, the old company was strictly a one-man affair. The elder Havemeyer ran it as though he was the absolute owner, he brooked no opposition and listened to no suggestions which did not coincide with his own views. He maintained his position by obtaining big results and results were the only, and perhaps the most effective answer, to all criticisms.

Of those in active charge in 1909 only Vice-President Washington B. Thomas is still in harness and of the eleven board of directors at that time there remain but four names, E. S. Marston, G. H. Frazier, H. C. Mott and Samuel Carr. The present management represents a new age and new ideas in corporate finance and corporate methods. President Earl D. Babst, whose picture appears at the head of this article, left the vice-presidency of the National Biscuit Co. to accept a vice-presidency of the American Sugar Refining Co., with the idea of later assuming the presidency, which position he now holds. He is a believer in the "square deal" in business and proper publicity. Under his management the American Sugar Refining Co. is fast losing the unenviable reputation which was its heritage of earlier days.

NINE YEARS SUMMARY OF EARNINGS OF AMERICAN SUGAR REFINING

	Nine Years, 1907-1915.	Annual Average.
Aggregate net profits available for dividends	\$57,169,658	\$6,352,184
Percentage earned on \$44,000,000 preferred stock	127.04%	14.11%
Percentage earned on \$45,000,000 com. after pfd. divs.	64.04%	7.11%



Legal Complications

Among the problems that the new management has had to contend with was the mesh of law suits which have marked its career of late years. The principal legal action was the anti-trust suit brought under the Sherman Act by the Government in 1910. In regard to this action the stockholders were told in a letter:

"After three years the Government has finished taking its testimony. The evidence shows no monopoly at present existing, no restraint of trade and no act direct or indirect in violation of law by the present management. With a feeling that every effort should be made to terminate the expensive litigation, the company did make an effort to adjust its difference with the Government. These advances having been declined, the company proposes to defend the interests of its shareholders with confidence and vigor."

This suit has not been decided, but if the American Can dissolution decision is any criterion, the prospects for the company coming out favorably would appear bright.

In February of the current year the so-called "sugar fraud case" was settled by the company paying the Government \$52,182, without an admission of fraud on the part of the company. The Government's action was based on alleged undervaluing of raw sugar entering the Port of New Orleans from 1899 to 1907.

In Louisiana the American Sugar Refining Co. has had its hardest legal battles. Law suits there consisted of two ouster suits brought by the State of Louisiana, one of which has been de-

clared unconstitutional by the Louisiana Supreme Court and suits by planters asking for approximately $200,000,000 damages on allegations that the company had sought to ruin their business of manufacturing sugar and molasses from 1905 to 1908. In addition Louisiana passed a statute stating that the business of refining sugar in the state was to be classed as a public utility and that this company should pay in Louisiana as high a price for sugar as it paid in any other part of the United States, the law not applying to other refiners, planters and buyers of sugar. This statute the U. S. District Court at New Orleans declared unconstitutional last January, which decision has recently been unanimously affirmed by the U. S. Supreme Court in a notable business opinion.

As the result of this decision, the Chalmette Refinery, which is the largest in the world (see illustration herewith) and which cost $6,000,000, will be able to continue operations unhampered and become an important factor in the company's earnings.

While the company is not at the end of its legal entanglements it is now commencing to see daylight ahead in this respect, at least.

Earnings

Naturally the legal battles in which the company has been engaged almost ceaselessly for the last half decade or more have had their effect upon earnings. Last year, for instance, the Chalmette plant, which should have been an important factor on the right side of the income account, actually showed a considerable loss. Table I which accompanies this article shows how the company's earnings have been running of late years and points out that without exception since 1909, the company has not experienced what might be termed a "big" year. The exception, 1911, owed a very considerable portion of its apparently very satisfactory results to the sale of securities of other companies which the American Co. owned. On page 181 appears a recapitulation in condensed form, of earnings for the last nine years:

TABLE I

AMERICAN SUGAR REFINING CO.

Condensed Income Statement (Years ended Dec. 31)

	Net Income	% Earned on Preferred	7% Preferred Dividend	% Earned on Common	7% Paid on Common	Deficit or Surplus
1915	$5,394,416	11.99	$3,149,979	4.99	$3,149,993	*$905,556
1914	5,318,277	11.82	3,149,979	4.82	3,149,993	*981,695
1913	3,057,221	6.79	3,149,979	none	3,149,986	*3,242,744
1912	5,550,276	12.34	3,149,979	5.34	3,149,986	*749,689
1911	11,663,571	25.92	3,149,972	18.92	3,149,986	5,363,613
1910	5,572,335	12.38	3,149,972	5.38	3,149,986	*727,623
1909	9,539,587	21.20	3,149,967	14.20	3,149,984	3,239,636
1908	6,502,930	14.45	3,149,979	7.45	3,149,963	202,988
1907	8,749,291	19.44	3,149,972	12.44	3,149,958	2,449,301

* Deficit

Among the things that stockholders should be grateful for to the memory of H. O. Havemeyer, is that he left the American Sugar Refining Co. in exceedingly strong financial position. Otherwise it might not have been able to weather the severe knocks and vicisitudes of fortune which has been its portion of late years. Table 2 shows that the company's surplus on December 31, 1907, totaled $25,576,936 and although that surplus had shrunk to $16,328,802 as of December 31, 1915, during that time the large working capital has been well maintained on the average and the reserve funds considerably increased.

The Outlook

At this writing the outlook for the American Sugar Refining Co. is brighter

than for a long time previous. With its legal troubles approaching final settlement, with a strong and energetic management in control and with favoring conditions in the sugar industry it would seem that better things in the way of earnings may be expected. Inasmuch as the company refines sugar and does not produce that commodity it is not in the same category with the beet sugar companies which are reaping a rich harvest of earnings from the war-prices of sugar. But this concern will benefit in a measure from the war-prices as it is a considerable owner of beet sugar companies' stocks. It is understood that earnings for the first quarter of this year were about double the common dividend requirements.

Position of Securities

The large margin of safety of earnings above preferred dividend requirements and the 7 per cent dividend record, unbroken since organization, of the preferred stock, entitles that security to rank among the best grade of industrial preferred issues. The common stock has a speculative aspect since the margin of safety above dividend requirements has not been great, as shown by the nine year summary of operations. In fact, one is at once impressed that the common has not sold at lower levels in "bad" years. One very important reason why the common stock has maintained its market position so well under adverse factors, is that it has very considerable assets behind it. All the water in the common, if ever there was water, was pressed out years ago. On December 31 last, the net assets applicable to the common stock amounted to $69,328,802 or $154 a share. Sugar common has always been a profitable stock to buy when its price gets within hailing distance of par.

Chalmette, La., Refinery

TABLE 2

AMERICAN SUGAR REFINING CO.

WORKING CAPITAL, RESERVE AND SURPLUS

	Current Assets.	Current Liabilities.	Working Capital.	Reserves.	Total Surplus.
1907	$46,150,244	$10,912,685	$35,237,559	$6,959,908	$25,576,936
1908	45,910,439	10,284,775	35,625,664	7,369,662	22,697,722
1909	44,292,768	4,968,293	39,324,475	8,060,355	21,301,872
1910	42,308,410	4,168,497	38,139,919	7,969,531	19,874,249
1911	49,010,059	5,008,568	44,001,491	12,260,131	21,047,590
1912	44,394,792	3,644,422	40,750,370	11,231,295	21,425,620
1913	40,926,062	4,433,973	36,492,089	10,321,377	18,229,425
1914	44,764,309	5,489,821	39,274,488	10,488,802	17,030,794
1915	41,720,541	5,595,366	36,125,175	10,137,705	16,328,802

The Country Investor

A few broad-minded Wall Street bankers are not sufficient to make New York a world financial center. The individual country investor who buys only one bond a year must also have an international vision.—Roger W. Babson.

Bethlehem Steel—The "American Krupps"

Likely to Get Lion's Share of Diminishing Stream of War Orders—Earnings—Plans for the Future—Probable Readjustment of Common Stock

By WILL D. BREEN

A RECENT statement from interests connected with the shell manufacturing industry in this country to the effect that shell orders from the Allied Governments abroad would be small, was seized upon as meaning that no more shell orders would be placed in this country. Such a wholesale interpretation of that statement is obviously not warranted. Orders for shells will come to this country for the simple reason that these munitions are essential to an active prosecution of the war, and the factories of the Allies are not yet in position to supply shells in the required quantities. But such orders are likely to become increasingly smaller and scarcer and to go only to those concerns thoroughly equipped to handle them.

Among such companies, and their number is few, Bethlehem Steel occupies a preferred position. The war material turned out by this company has been rated higher abroad in its qualities than the product of other manufacturers, and Bethlehem Steel's position with the governments abroad is further secured by the fact that the company was the first to ship much-needed shell ammunition to Great Britain and France. The company shipped shells almost as soon as orders for them had been received, and long before other companies swung into line with deliveries.

War Orders Last Year and Now

Such future orders for shell ammunition as come from abroad will no doubt go largely to Bethlehem Steel. During the last six weeks this company has received good-sized shell orders totalling in all to some $1,600,000. Of course, a repetition of the huge contracts, which were placed during the early months of of the war, need not be looked for. Things are on a different basis and Great Britain is able to supply more effectively now than ever before, because of a cer-

BETHLEHEM STEEL CORPORATION, 1906-1915

COMPARATIVE INCOME ACCOUNT

Year.	Net Mfg. Costs.	Other Income.	Total Income.	Interest Charges.	Surplus After Chgs.	Other Deductions.	Net Income.	Surplus for Year.
1915 ..	$23,782,784	$1,038,624	$24,821,408	$2,342,595	$22,478,813	‡$4,716,000	$17,762,813	$16,719,253
1914 ..	9,378,385	271,282	9,649,668	2,212,374	7,437,298	1,847,273	5,590,020	4,844,620
1913 ..	8,530,708	221,963	8,752,671	2,101.183	6,651,488	‡1,528,785	5,122,703	4,377,303
1912 ..	4,846,814	267,626	5,114,440	2,003,915	3,110,525	‡1,046,884	2,063,641	2,063,641
1911 ..	4,605,410	187,303	4,792,713	1,865,586	2,927,127	‡888,148	2,038,979	2,038,979
1910 ..	4,396,489	127,702	4,524,141	1,672,250	2,851,891	‡850,279	2,001,612	2,001,612
1909 ..	2,811,400	182,136	2,993,536	1,535,781	1,457,755	‡656,944	800,811	800,811
1908 ..	2,024,025	172,147	2,196,172	1,441.491	754,681	‡387,817	366,864	366,864
1907 ..	2,572,473	69,705	2,642,178	921,210	1,720,968	‡102,179	1,618,789	1,506,979
1906 ..	1,859,353	152,015	2,011,368	601,426	1,409,942	†647,193	762,749	§131,731

‡ Provision for extinguishment of mining investments, amortization of patents and depreciation for other properties.

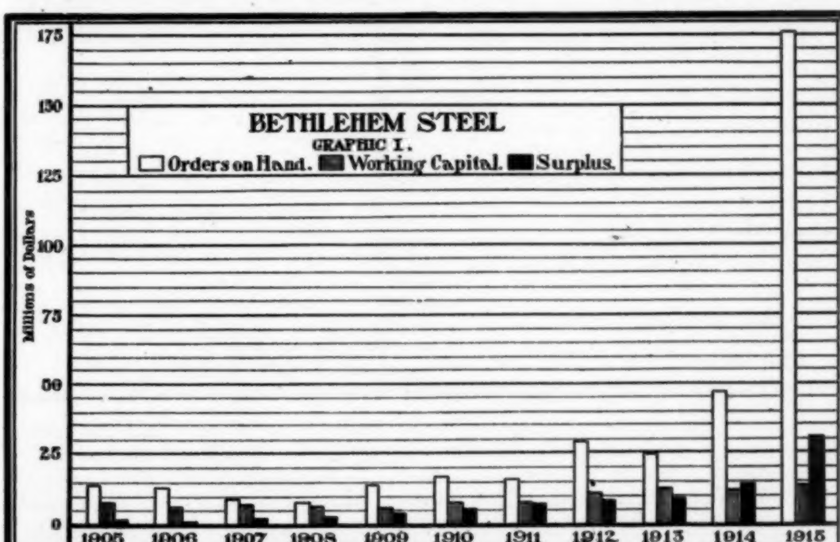
† Losses on ship contracts included.

§ Deficit.

tain degree of organization achieved which was totally lacking in the beginning. Munition experts figure that the war orders from abroad this year will amount to between 25 per cent. and 30 per cent. of last year's volume and that the bulk of this will go to Bethlehem Steel. This looks like a rather small figure compared with last year's commitments, but it must be taken into consideration that a good part of the orders placed last year go on this year's delivery account.

Large Orders for Commercial Steel

Quite apart from its munition business, Bethlehem Steel has on hand orders for large quantities of steel, which are urgently required for construction purposes abroad and for ammunition manufacture there. The company is also reported to be booking large orders from neutral countries for ships. In various other ways Bethlehem Steel has been preparing for the future, and it is a reasonable assumption that just as the company has been successful in outstriding others in the manufacture of munitions for abroad, so will it forge ahead of those others when industry is returned to a basis of peace.



The demands of the warring nations for reconstruction material after the war according to experts will be huge; vessels to carry this material abroad will command a big premium and Bethlehem Steel, on its own account, is preparing to meet this demand. Charles M. Schwab, with his usual foresight, has been procuring available shipyards located at advantageous points for quite some time past, and the number and capacity of shipbuilding yards now under control of the Bethlehem Steel Corporation is surprising.

Earnings Estimated for 1916

March net earnings of the corporation approximated $5,500,000, a new high record. This is at the rate of $66,000,000 a year, or nearly four and a half times the par value of the common stock outstanding. If it were possible for Bethlehem Steel to maintain this monthly rate, its earnings for the year would be equal to $440 per share, a figure in excess of the present market value of the common stock.

Bethlehem Steel now has sufficient business on its books to keep its steel and munitions plants busy for the balance of the current year, and there are no reasons

why the company should not continue to show big earnings each month.

Recently Bethlehem Steel sublet contracts to a number of companies for shell parts on a new order from the Allied Governments. No official statement was made as to the size of this order, but in the steel trade it is estimated that the value of it ranges somewhere between $25,000,000 and $35,000,000. The order means at least two months' additional work and should net the company profits of between $7,000,000 and $10,000,000.

Outlay for New Construction

At the same time the company continues to push its new construction work with great avidity. The outlay of money under this improvement program comparatively is small when set against the huge earnings and there seems to be little doubt in the minds of those who have followed the company's activities closest that it will round out the year with a surplus away and far in excess of the par value of the common stock. It is estimated that Bethlehem Steel in the four months ended April 30 will show net earnings of $20,000,000, which is an average of $5,000,000 a month and half a million below the record showing of March. This prospective net of $20,000,000 is equivalent to about $400 a share annually on the common stock.

History Often Reviewed

The corporate affairs of Bethlehem Steel Corporation have been so widely recounted since the advent of the company as the leader of the so-called group of "war stocks" as to make repetition here unnecessary. It should suffice to point out, just as a refresher of the memory, that the capitalization of the company consists of $14,908,000 of 7 per cent. non-cumulative preferred stock and $14,862,000 of common stock. The preferred stock has preference, of course, as to assets and dividends, but disbursements on it are limited to 7 per cent per annum. Both classes of stock have equal voting power. The funded debt of the company totals $37,903,700 and consists of $7,500,000 of purchase money 6s, $7,999,000 of first extension 5s, $19,777,500 of first and refunding 5s, and a miscellaneous funded debt of subsidiary companies totalling $2,627,200.

The earnings of the company and the indicated returns on capitalization are shown in the accompanying tables. The changes from year to year speak entirely for themselves. The huge jump from $9,000,000 to over $23,000,000 in net manufacturing profits is ascribable to the preferred position Bethlehem Steel occupied from the very beginning of the war as a shell manufacturer.

BETHLEHEM STEEL NET INCOME DIVIDENDS AND SURPLUS

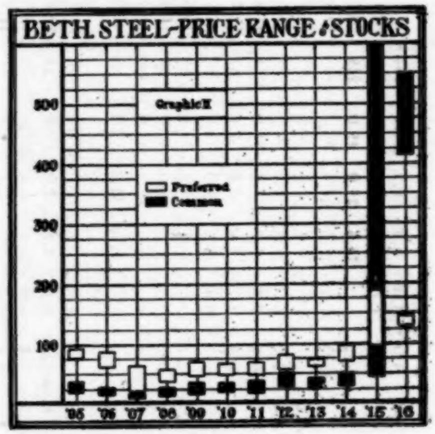
Year.	Net Income.	Dividends Paid Pfd.).	Per Cent. Earned.	Per Cent. Paid.	Per Cent. Earned (Com.).	Surplus for Year.
1915	$17,762,818	$1,043,560	119.2	7	112.5	16,719,253
1914	5,590,020	745,400	37.5	5	32.6	4,844,620
1913	5,122,703	745,400	34.4	5	27.5	4,377,303
1912	2,063,641	....	13.8	..	6.9	2,063,641
1911	2,038,979	....	13.7	..	6.8	2,038,979
1910	2,001,612	....	13.5	..	6.6	2,001,612
1909	800,811	....	5.4	..	..	800,811
1908	366,864	....	2.5	..	..	366,864
1907	1,618,789	111,810	10.8	¾	3.9	1,506,979
1906	762,749	*894,480	5.1	6	..	†131,731

* Dividend not earned; paid from P. & L. surplus.
† Deficit.

Early Estimates of Earnings

The Bethlehem Steel Corporation at the outbreak of the European war was reported to be doing a fairly good business and operating at around 60 per cent. of capacity. Within a week of the commencement of hostilities Bethlehem ini-

tiated a policy of retrenchment, admittedly for lack of ready money combined with the uncertainty of the European outlook. Within two months the company began to hope for at least one good munition order. Before the end of the third month it had obtained that order and was working at 70 per cent. of capacity. By the end of 1914 its business had grown enough to show net earnings on $14,862,000 of common stock, of 30.59 per cent. Late in the spring of 1915 orders from the British Government began to pour in and during the summer and autumn the market price of the common stock developed in pyrotechnic fashion on the strength of reported earnings from war orders. It was reported in the summer that the surplus available for dividends on the common stock at the end of the 1915 fiscal year would be $60 a share. This estimated figure soon became $75 and then $100. On November 22 it was estimated that the common stock would earn $110 a share and the actual figure at the end of the fiscal year proved to be equal to 112.49 per cent. as against 30.59 per cent. for the preceding year. The course of the preferred and common stock market rise are shown in the accompanying graphic.



Currently the company is turning out at the rate of about 35,000 shells daily and before many weeks have gone by the average total is expected to be 40,000 per day. During 1915, in order to put the company in shape for handling the business that was coming to it with ever increasing expedition, there was expended $12,000,000 for new construction. In the current year expenditures on construction account will be nearer $20,000,000. Including expenditures of last year, the Schwab program calls for a construction outlay of some $40,000,000, of which $32,000,000 will have been spent by the end of 1916. Surplus earnings will be used for new construction which will be confined almost entirely to plants for the manufacture of commercial steel. These expenditures of $40,000,000 signify that the holders of the common stock will have an equity in new plants, etc., of over $265 a share. After this large outlay of money on construction account there will remain a cash surplus running into the millions, an equity for common stockholders which can be used either for dividends, working capital or additional construction work. This outlay of $40,000,000 means a direct and big increase in the earning power of the Bethlehem Steel Corporation from commercial steel.

Outlook for the Corporation

As for Bethlehem Steel's outlook, with a continuance of current earnings throughout the remainder of 1916, it is conservatively estimated the company will earn between $50,000,000 and $60,000,000. At the present time Bethlehem Steel has cash and securities on hand of close to $50,000,000, or over $300 per share on the common stock. Of this $25,000,000 is in Anglo-French bonds. The company has bought in $10,000,000 of its own bonds and is keeping them alive in its treasury. In addition there is over $10,000,000 of cash. It is said to be Mr. Schwab's present ambition to retire the $35,000,000 of bonds from earnings as quickly as possible, that is within the next two or three years, and there is a growing belief that by July 1 next further consideration will be given to some readjustment of the status of the common stock.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Industrials

	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Butte & Superior (par $10).	$3	3.2	....	....	....	....	$3.5	$5.2	$33.48	$92	36.3	Earning at rate of $40 per share. Extra div.
Intern. Mercantile Marine..	0	0	....	$9.4	$8.7	$7.3	11.1	....	50.0	87	57.4	Reorganization Plan. Back dividend, 81%.
American Coal Prod. com ...	7	4.5	....	....	....	10.5	10.8	10.3	49.0	151	32.4	Extra div. to be expected.
Bethlehem Steel com.......	30	6.5	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	455	24.7	Turning out shells rapidly and economically.
American Woolen com.....	5	1.1	5.2	2.2	2.1	2.1	—19.9	0	10.8	44	24.5	Big war orders.
B. F. Goodrich com.......	4	5.3	....	....	....	2.4	0.8	4.1	17.17	75	22.8	Current earnings showing increases.
U. S. Indus. Alcohol Com...	0	0	....	2.0	4.0	5.0	1.9	1.9	33.22	152	21.8	War contracts.
Central Leather com.......	4	7.6	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	52	20.7	Current earnings good.
Willys-Overland com.......	6	2.1	....	....	....	....	26.5	25.9	45.0	225	20.0	Outlook for 1916 bright.
General Motors com.......	20	4.7	....	....	15.7	17.3	38.8	37.5	81.2	425	19.1	Business good.
Va.-Carolina Chemical com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	40	19.0	Prospects for good fertilizer business in 1916.
U. S. Rubber com.........	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	54	18.5	Business continues satisfactory.
Amer.-Agricul. Chem. com..	4	6.2	7.5	10.4	9.1	7.3	5.2	7.7	11.0	64	17.1	
Amer. Hide & Leather pfd...	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	49	15.1	Earnings best in history.
American Tobacco com.....	20	10.0	....	....	....	30.4	28.1	21.0	21.0	200	15.0	Earnings continue good.
Continental Can com......	5	5.9	....	....	....	....	12.1	4.7	12.5	84	14.6	
Amer. Smelting & Ref. com..	4	4.1	7.7	7.1	9.1	10.1	7.5	6.0	14.0	97	14.4	Doing a big business. Extra div.
Utah Copper (par $10)....	60	7.2	2.9	3.4	3.9	5.3	5.0	5.3	11.0	80	13.7	Big production.
California Petroleum pfd...	4	8.7	....	....	....	....	11.4	11.6	6.1	46	13.3	Earnings shown here are before deducting special reserve fund.
Studebaker com...........	6	4.7	....	....	....	4.9	3.1	12.7	27.45	127	13.7	Earnings running ahead.
American Cotton Oil com...	4	7.5	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	53	13.3	Controls 17 sub. companies.
Republic Iron & Steel pfd...	7	6.4	8.1	11.7	7.8	8.9	12.4	4.1	14.06	108	13.0	10% back dividends.
Amer. Beet Sugar com.....	6	8.9	7.0	7.3	10.9	13.5	3.9	2.3	8.7	68	12.7	Earnings Big.
U. S. Realty & Improvement	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	40	12.5	Business picking up.
Natl. Enam. & Stamp. com.	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	3.01	24	12.6	Business excellent.
American Linseed pfd......	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	6.02	49	12.2	Earnings reported very satisfactory.
Inter. Harvester of N. J. com.	5	4.5	17.8	14.8	14.2	15.2	14.5	13.4	....	110	12.1	Business increasing. Government suit.

Miami Copper (par $5)....	6	1.6	....	....	0.7	2.8	1.7	1.6	4.5	36	12.5	
N. Y. Air Brake...........	8	6.0	....	4.5	0.5	5.7	6.5	6.4	15.43	132	11.6	Big war orders.
U. S. Steel com...........	5	6.0	10.5	12.3	5.9	5.7	11.1	—0.3	9.94	83	11.9	Steel business booming.
Corn Products pfd.........	5	5.4	8.2	6.9	7.0	6.8	7.6	7.7	10.62	93	11.4	Div. in arrears 18%. Bus. good. Government suit.
Tennessee Copper (par $25).	3	6.6	1.7	2.2	2.0	5.4	4.8	3.2	5.2	45	11.5	Profits from sale of sulphuric acid.
Western Union.............	5	5.6	5.8	5.7	5.4	4.0	3.2	5.4	10.24	90	11.3	Earnings big. Extra dividends.
American Can pfd..........	7	6.4	6.7	6.8	7.1	14.2	9.7	10.7	12.2	109	11.1	Arrears 8¾%. Big war orders.
Crucible Steel pfd.........	7	6.2	8.2	14.5	10.2	13.7	19.6	4.1	12.3	112	10.9	Back dividends 24¾%.
Inter. Paper pfd...........	2	4.3	2.7	4.5	5.3	5.4	4.4	5.1	5.0	47	10.6	31% cum. div. in arrears.
Union Bag & Paper pfd....	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	31	10.6	Capital readjustment.
Woolworth, F. W., com....	7	5.5	....	....	....	8.9	11.0	10.7	13.4	127	10.5	Expects to show record year.
Mexican Petroleum com....	0	0	....	....	4.6	5.9	11.2	4.7	10.5	101	10.3	New company formed.
General Chemical com......	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	330	10.3	War helped business.
S. S. Kresge com (par $10)..	0.6	5.0	....	....	....	0.8	1.4	2.0	1.1	12	9.9	Business good.
Sears, Roebuck com........	7	3.8	18.4	20.5	17.0	19.3	21.2	14.5	17.6	178	9.8	Stock earnings good.
Pacific Mail...............	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	25	9.6	New interests in control.
North American............	5	7.2	6.0	6.2	6.2	7.2	6.7	6.4	6.1	66	9.2	Controls St. Ry. & Elec. Light Co.'s in Northwest.
Distillers Securities........	0	0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	50	9.2	Large contracts for alcohol taken.
Allis Chalmers Pfd.........	6	7.8	....	....	....	....	4.6	—0.2	6.8	77	8.8	13% back dividends due.
Diamond Match Co........	6	5.5	....	11.6	12.6	13.2	11.0	9.1	9.4	108	8.7	Scarcity of potash embarrassing.
Maxwell Motor com........	6	0	....	....	....	....	....	0.3	6.5	77	8.4	Record earnings.
Anaconda (par $50)........	6	7.1	3.5	3.5	3.7	7.1	5.3	3.9	7.1	84	8.4	
Peoples Gas Light & Coke.	6	5.8	8.9	9.0	8.9	7.5	8.2	8.6	8.38	102	8.2	Price of gas in dispute.
Baldwin Locomotive com...	0	0	....	....	1.4	11.5	13.1	....	7.14	88	8.1	War orders.
National Biscuit (com).....	7	5.8	7.4	7.7	9.8	10.0	9.6	11.7	9.5	119	7.9	Increase cost of materials unfavorable factor.
National Lead com.........	4	4.2	6.2	4.3	3.6	3.8	3.6	3.7	5.0	65	7.6	
Pressed Steel Car com......	0	0	7.7	5.5	0.1	0.8	10.5	0.1	3.59	46	7.5	War orders.
Amer. Tel. & Tel..........	8	6.4	9.0	10.4	10.0	9.3	9.6	9.4	9.4	128	7.3	Large equities in sub. companies.
Railway Steel-Spring Co....	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	3.09	43	7.1	1916 outlook bright.
General Electric...........	8	4.3	7.4	16.7	14.5	16.2	12.9	11.1	11.6	163	7.1	Working at capacity. War orders farmed out.
Consolidated Gas (N. Y.)..	7	5.2	6.7	7.4	7.6	7.5	7.2	7.1	8.5	133	6.4	Sub. Co.'s have large undistributed surpluses.
Pittsburgh Coal pfd........	5	4.9	3.0	7.2	5.1	7.5	10.1	—5.1	6.1	101	6.0	New company formed.
Pullman...................	8	4.9	10.9	11.6	9.3	8.7	9.3	9.0	8.8	160	5.5	Earnings good.
Amer. Sugar Ref. com.....	7	6.4	3.9	3.8	9.6	8.7	1.9	4.3	5.5	108	5.0	
West'g'h'seElec.com. (par$50)	3	5.1	....	3.8	6.1	3.1	4.1	5.4	2.3	58	3.9	Large profits from war orders.
Sloss-Sheffield com.........	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	1.7	55	3.0	Big earnings. Prospect for div. good.
Chino Copper (par $5).....	5	9.4	....	....	....	2.5	3.5	3.4	7.4	53	1.3	Record earnings.
U. S. Cast Iron Pipe pfd....	0	0	1.2	4.4	3.9	4.2	4.7	—0.5	0.6	50	1.2	Business picking up.
Ray Cons. Copper (par $10).	10	4.3	....	....	0.2	1.3	1.8	1.6	2.9	23	1.2	Record earnings.
Am. Malt Corp. pfd........	2	5.9	6.2	3.0	8.8	9.3	4.6	3.7	0.1	35	0.3	Div. in arrears 30½%. Business increasing.
Amer. Car & Foundry com...	2	3.2	2.6	6.6	7.1	2.5	4.1	5.5	0.1	61	0.1	War orders.
Amer. Locomotive com.....	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	69	0	Plants at capacity.
Amer. Steel Foundries......	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	—1.8	52	0	Earnings picking up.
Colo. Fuel & Iron com.....	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	41	0	Improved steel condition. Pref. 52% in arrears.
International Agric. pfd.....	0	0	....	....	....	....	....	2.3	—1.2	50	0	Profits from sulphuric acid sold.

In the next issue the Bargain Indicator showing the comparative earnings of the important railroads will be published.

Railroad and Industrial Inquiries

Hide & Leather Pfd.

M. C. W., Chicago, Ill.—There are 111½ back dividends due on American Hide & Leather pfd. The preferred stock is paying nothing at the present time, although it is entitled to 7% per annum. Current earnings are reported excellent, at the rate of about 20% per annum on the preferred, so that there may be a dividend on this issue before long. The company would be doing remarkably well if it could maintain the 7% dividend to which the preferred is entitled. The chance of getting any of the back dividends appears rather slim. In view of this, therefore, the common stock appears to have little merit.

Marine Pfd. and The Trend Letter

H. J., Philadelphia, Pa.—In the April 29 edition of The Magazine of Wall Street you published a copy of your Trend Letter of April 17, 1916, advising the sale of all stocks held and the short sale of Baldwin, Westinghouse, Crucible, American Locomotive, American Can, New York Air Brake and Marine preferred. Long pull operators are particularly advised in this letter not to protect their commitments with stop loss orders, but to sell short with a 50% margin and disregard manipulated rallies. While there is no question, but that your advice to sell stocks was most opportune, preceding as it did a severe break, it would appear to me that the long pull operators must have finally lost practically all their profits on the one stock mentioned which did not break and which has subsequently advanced over twenty points, Marine preferred. I am interested in your Trend service and would be very glad if you would explain to me how the long pull operators were advised in regard to Marine preferred and whether they are still short of that stock.

Answer.—We thank you for bringing this matter to our attention as the same question has probably been raised in the minds of many of our subscribers who do not take the Trend service. We put the long pull operators short April 17, 1916, without stops because we were confident that the market would break in the near future and we did not want any of them to be stopped out before the decline set in, on any temporary rally. After the downward movement had had a fair start, however, we advised the long pull operators to place stops. We quote from the Trend letter of April 20: "Long Pull Operators should place stops so that there can be no loss in Baldwin, and limit risk on other short commitments to three points." When this advice was given Marine preferred was selling around 75, which was close to the price at which the Long Pull Operators went short of it. You can readily see, therefore, that Long Pull Operators who followed our instructions limited their loss on Marine preferred to three points, and this was the only stock on which any loss was taken, all the other stocks showing handsome profits.

Lake Torpedo

H. C. S., Hartford, Conn.—Lake Torpedo Boat makes a submarine which is well regarded, as evinced by the fact that the U. S. Government has awarded the company a contract for the construction of several of these. It is generally conceded, however, that the Submarine Boat Company which controls the Holland patents builds a submarine which is more universally recognized as the best, and which is generally used by foreign countries.

Lake Torpedo Boat has taken enough orders to keep it running at capacity for some time. It is impossible to obtain any information as to how profitable this business will be. Recently the company offered 10,000 shares of preferred stock to stockholders.

Tobacco Products

C. L. S., Baltimore, Md.—Tobacco Products has $7,000,000 preferred and $16,000,000 common stock outstanding. This is a holding company and it does not report the earnings of its subsidiaries. Interest and dividends received from subsidiary companies, however, have been sufficient to cover the preferred dividend and leave a small balance for the common.

Gaston, Williams & Wigmore

C. T. F., Chicago, Ills.—Gaston, Williams & Wigmore Co., Inc., is capitalized with $5,000,000 notes and 300,000 shares of common stock, no par value. For the year ended February last, business transacted on straight commission amounted to well over $6,000,000. The forces of the company aggregate between 400 and 500, of whom 175 are in the New York offices, 90 in London, 50 in France and 30 in Russia. Starting as a war order house, the concern has steadily pushed its commercial lines and in March 75% of all business booked was commercial business. The company cannot be regarded, therefore, as depending on the continuation of the war for its business. The stock must be regarded as highly speculative but it appears to have possibilities. At the moment the market is not ripe for speculative commitments, but as you already have this stock our suggestion would be to hold it until you can get out to a little better advantage than you could at present. This company is reported to be steadily enlarging its field of operation and it is stated that at the present time it is handling all the business it can, and has been obliged to turn down some orders.

Northern Pacific

M. C. C., Watseka, Ill.—We should hardly say that the 7% dividend on Northern Pacific is safe, as several times within the past few years the earnings of this road have been not very much above the 7% requirements. At the present time earnings are showing up remarkably well, and we should say that the dividend is safe for some little time to come. Depression in business along this road's territory, however, would very likely jeopardize this dividend.

Ajax Rubber

B. E., Princeton, N. J.—Ajax Rubber has $3,000,000 stock, par $50. For the four fiscal years ended August 31, 1915, earnings were equivalent to $7 per share per annum on the present capitalization. President Grieb estimates that earnings for the fiscal year ending August 31, 1916, will be over $13 per share. Considering the breaks that many other new securities have had, we are of the opinion that Ajax Rubber has held very well. We suggest that you hold it.

Amer. Internat. Corporation

G. N. D., Tarrytown, N. Y.—American International Corporation is capitalized with $50,000,000 stock, par value $100. The stock is only 20% paid in and the company can call for the remaining 80% as it desires. The stock is now traded in on the New York Curb and we have not heard anything to the effect that it will be listed on the New York Stock Exchange, although it is quite probable that it will be ultimately. This company has the best of management and, in view of the fact that America is probably in a better position than ever before to expand its international trade, it would appear that the future possibilities of American International Corporation are bright. Of course, when the war ends, some of the large profits that this company is now making from its ships, because of the high freight rates, will be reduced, but it is quite likely that this will be more than made up in other ways.

Riker & Hegeman Issues

R. S., Chicago, Ill.—The Riker & Hegeman Corporation stock was exchanged for an equal amount of the Riker-Hegeman Company stock, that is to say, $100 par value of Riker & Hegeman Corporation stock was given for $100 par value of Riker-Hegeman Company stock. Under the plan for consolidating with United Drug, Riker-Hegeman Company stock gets an equal amount of common stock of the new United Drug Company and $44 (for each $100 par) of second preferred stock of the United Drug. The Riker & Hegeman Corporation, after the exchange is made, will then hold, instead of Riker-Hegeman Company stock, the common and second preferred stocks of the United Drug Company. There would then apparently be no reason for maintaining the corporate existence of the Riker & Hegeman corp. and it probably will be dissolved and the stockholders will have the stock of the United Drug Company turned over to them. In other words, the holder of Riker & Hegeman Corporation stock will get exactly the same securities as the holder of Riker-Hegeman Company stock.

Standard Shipbuilding

H. D., Newport, Ky.—Standard Shipbuilding was incorporated November 15, 1915, in New York, with an authorized capitalization of $3,000,000, consisting of 300,000 shares of a par value of $10. All of the capital stock has been issued. The corporation has taken over the plant and property of the Shooter Island Company, which property is subject to a purchase money mortgage of $863,000. The company plans to build vessels up to 7,500 tons under a standard set of plans, which the officials estimate will make possible a 25% reduction in the cost of construction and will enable the company to construct as many as eight ships at one time. This stock must be regarded as speculative, but it appears to have possibilities, in view of the fact that there is likely to be a demand for ships for some time to come.

Investment Digest

Note—The Investment Digest, Notes on Public Utilities, Oil Notes and Mining Digest contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy.—*Editor.*

RAILROADS

Atchison.—Nine months' showing, and expectation of continued increases indicate surplus of 11.6% on common. Bond conversions so far about $10,629,000. Officials report that the current revenue gains will continue throughout the remainder of the present fiscal year, making this the best year in the company's history. On the basis of the increases in income for nine months of the fiscal year, Atchison should show a surplus of about $24,548,000 for the common shares, equivalent to 11.6% earned upon the $211,118,500 stock now outstanding. Last year the surplus was $18,422,176, equal to 9.19% upon the $200,489,500 common out as of June 30, 1915. It is estimated that Atchison will have a balance after dividend payments of around $12,000,000 for the fiscal year ending June 30.

Boston & Maine.—This road had a deficit of $191,000 in March, 1915. In March, 1916. there is shown a surplus of $53,000. For three weeks ended April 21, reports indicate $452,000 or 17%, more gross than for the corresponding 1915 period. It is estimated the year will result in at least between 6½% and 7½% earnings on Boston & Maine common, now selling at $44 per share.

Chesapeake & Ohio.—For nine months ending March 31, company earned 8.14% on its capital stock, against 2.70% for the same period last year, an increase of 5.44%. It is expected that for the whole year ending June 30 next, the surplus for stock will be between 10 and 11% compared with 4.24% last year. There is no likelihood of any dividend on stock this fiscal year, for with the surplus to May 1 already taken up, earnings for only May and June would be applicable to dividends, and directors are not now considering any distribution of that balance. Company reports satisfactory earnings growth of its line from Cincinnati to Chicago, bought for $8,500,000 about four years ago. Since then approximately $3,000,000 has been spent on improving that line, and to-day it is earning between 7 and 8% upon the total investment of $11,500,000.

Big Four.—This road continues to show increase in earnings, and for the three months ended March 31, there is shown $2,633,754 in operating revenues over the three preceding months and an increase in operating expenses of $705,569, leaving an increase of $1,928,185 in net operating revenue.

Minneapolis, St. Paul & S. S. Marie.—This road for the first eight months of the current fiscal year has earned 12.81% on its stock, which is the annual rate of 17.76%. For the same period in 1915, this company earned 7.86% on its stock, or but a trifle more than was necessary to pay the 7% declared in dividends.

Northern Pacific.—In nine months ended March 31, increase in net was 42%, and on that basis surplus for stock for the year ending June 30 should be about 10.8%, or $26,190,000. Railroad officials anticipate good average grain crop this year, which would keep up increase in earnings near to mark expected.

New York, New Haven & Hartford.—The new issue of $25,000,000 4½% one-year notes has been sold to bankers on a 4.89% basis. Increase in gross and net earnings are factors affecting the credit of a railroad as of any other business. Heretofore the New Haven never had such revenues as it is experiencing this year. March is expected to show a deficit for the New Haven as compared with $264,000 surplus for March, 1915. It is now likely that the New Haven will report less than 3% earned on its stock, after income charges and receipts from subsidiaries, for its fiscal year to end June 30. It is not expected that earnings will offer any hope of early dividends, as drafts for property improvements must continue for several years to come.

New York Central.—Gross earnings for March show increase of $4,133,000 and net increase $2,287,000.

Norfolk & Western.—The declaration of an extra dividend of 1% came as a distinct surprise. This places the road now on a 7% annual basis as well as an extra dividend of $1 per share. Estimates indicate that this road will earn for the fiscal year to end June 30, approximately 16% on the $113,868,400 common stock outstanding as compared with 8.7% on $108,150,000 in the year 1915.

Pittsburgh & Lake Erie.—Stockholders have authorized increase in capital stock from $30,000,000 to $50,000,000. Earnings for 1915 were 25.23% on stock as against 13.61% in 1914.

Reading.—This road in nine months has earned a surplus of 14.66% as compared with 3.99% for the same period last year. Estimates promise 20% on its common. Total surplus for all companies in March was $1,927,670 compared with $633,846 in 1915, an increase of $1,293,824. The nine months' surplus aggregated $12,364,104, an increase of $7,470,681, or 152%. 25,000 tons of 100-pound steel rails have been ordered by this company for 1917 delivery.

Rock Island.—Stockholders will be astounded to learn that in the months of February and March, this road has broken all records with a profit of more than $900,000 over all interest charges. This year the receiver reports that he has earned a profit in March of $698,401 over all charges, including the debenture bondholders' interest, interest on the receivers' certificates and all floating indebtedness. This handsome exhibit is made with maintenance charges in operation running at about 28% against 26% in previous years. Thus, in the poorest months of the year, Rock Island has not only earned its entire interest charges, but a surplus greater than the annual 4% on the $20,000,000 debentures.

St. Louis & San Francisco.—For the eight months of the fiscal year, or up to the end of February, the gross earnings reflected an increase of nearly $2,500,000, while $1,180,000 of this amount was saved for the operating income. There was a liberal gain in the gross earnings for the short month of February amounting to $551,000 more than for the corresponding month of the previous year. While there was a substantial expansion in operating expenses, there was still a gain of $141,000 in operating income.

Southern Pacific.—Nine months record for this company indicate that completion of year will show earnings far ahead of any previous year in its history. According to present indications it will earn a balance of around 11% on its $272,672,000 stock. A significant development, so far as the immediate course of Southern Pacific's earnings is concerned, is that the fact that canal competition has been very largely eliminated. Although the waterway has again been opened, ships of companies which were operating there have been diverted to more profitable transatlantic routes.

Union Pacific.—There is every indication that the common stock of this company will earn 15% for the year to end June 30, 1916, compared with 10.98% in previous year. Gain in net earnings for nine months ended March 31 was $6,707,853, or 28.2%. March earnings alone showed the remarkable net increase of 89.6%, a gain of $1,582,508 in net after taxes. This was due almost entirely to freight revenue.

Wheeling.—There is available net for nine months, $800,000 in excess of full year's interest and rental deductions. The gross and net earnings are the largest in the history of the company . Full year estimated to show available net of $2,700,000 with which to meet $1,400,000 interest, rentals, etc. Reorganization plans are moving slowly with prospect of settlement at no late date. Reported that sale of the property under foreclosure will be made some time in May.

INDUSTRIALS

American Graphophone (Columbia).—While the condition of the talking machine industry is one of unparalleled prosperity, as proven by the Victor Company's recent report, the American Graphophone Company does not appear to be making as satisfactory progress as should naturally result from the right kind of management. Persistent reports of a new note issue are heard, coupled with dissatisfaction on the part of a number of stockholders.

American Ice.—While conditions are favorable to a year of very good earnings, the weather conditions offer the uncertain factor. There is considerable talk of dividends which seems to be justified. If the summer season favors this company can easily show the largest earnings since 1913, when better than 11% was earned on the operating company's stock.

Ajax Rubber.—Net profits of $800,000 to $1,000,000 are predicted for this company for the current year. Estimated gross sales to August 31st, 1916, are between $4,500,000 and $5,000,000.

American Woolen.—Final deliveries covering $25,000,000 of war business have been made. This company's mills are running practically at capacity and unusually large net earnings for current year are predicted.

American Locomotive Co.—There is shown for the March quarter a surplus of approximately $3,250,000. This was after liberal depreciation charges and writing off of a large amount for new construction. Present earnings indicate annual rate of 60%. Company now figuring on order for 2,500,000 fuses.

American Linseed. — Current earnings show large increase since 1912. Reported that dividend will not be considered until the financial position of the company is assured. Domestic business largely increased while export trade is greatly hampered.

The net in 1915 was $1,700,630, equal to 6.2% on the preferred stock as against $306,647, equal to 1.83% in 1914.

American Tobacco.—If rate of increase for the last two months is continued throughout the year the net for the full fiscal period will be well over $2,000,000. Estimated that the net for this year will equal at least 24% for the common as compared with 20% in 1915. Decrease of sales in 1915 of $5,000,000, as compared with 1914, when compared with earnings so far this year will be more than made up in 1916.

American Can.—Owing to the prevailing price for tin plate this company has increased its price of product, all sizes, about 10%. American Can uses something like 6,000,000 boxes of tin plate a year. War order business progressing favorably and taken in conjunction with the can business for 1916 will show the best report in the history of the company. Estimate of earnings for 1916 indicate something more than $30 per share for the common stock. Earnings for the first quarter of current year about $500,000 net better than the same period of 1915. This is at an annual rate of $2,000,000, which would bring the 1916 net to about $8,500,000, which would leave approximately $7,000,000 for dividends. These earnings are exclusive of shell business and would mean something like 10½% for the common stock.

American Hide & Leather.—Stockholders may get a 3% or 4% dividend. Preferred stockholders unlikely to get any return before close of the fiscal year. In its March quarter the company earned a fraction over 3% on the preferred and for the 9 months a trifle less than 10%. It is not unlikely that American Hide will earn better than 2% on its preferred in the June quarter which would make 12% or a little better for the full year, the best record in its history and comparing with 6.5% in 1915, and 1.2% in 1914.

Chandler Motor.—Deliveries in March quarter 1916, 50% as large as in all last year. Orders on hand approximate 14,000 cars. Estimated net earnings for first quarter, $425,000, or more than enough to pay its entire 6% dividend. Estimated net profits for the year, $2,500,000, equal to $35 a share on the company's 70,000 shares.

Colorado Fuel & Iron—Company declining business owing to orders booked ahead until July, 1917.

Chevrolet.—Company expects to reach daily output of 360 cars next month, reaching a rate of production in August of 11,500 cars or 95,000 cars in 1916, compared with under 20,000 cars produced in 1915. Work on a new plant to cost between $750,000 and $1,000,000 started. Company reported to be earning in excess of $600,000 a month after liberal reductions for depreciation and other charges.

Crucible.—March earnings, approximate $2,200,000 net, at about 100% on the common stock after full allowance of a 7% dividend on the preferred stock. Net for first quarter 1916 approximately $5,750,000. Company now getting $3.80 a pound for tungsten steel compared with 50 cents to 60 cents a pound before the war. Company controls output of this grade of steel in the United States and today is largest user of tungsten in the world.

Corn Products.—Net profits after all charges including preferred, show increase of $302,712 equal to $1.50 a share on common. Net surplus for quarter, $682,798.

Cramp Shipbuilding.—For fiscal year ended April 30th, company expects to show net earnings of $1,900,000, increase of 109% for last year and 26% on stock. Company has contracts for 14 merchant vessels which will keep the company busy until the early part of 1918. During 1915 company paid off $1,200,000 6% notes maturing April 1st, 1916, and has still outstanding $4,334,004 of bonds and notes which could be reduced to less than $3,000,000 were the surplus profits above interest for the fiscal year now ending applied exclusively to that purpose. Not yet decided whether further reductions in bonded debt will be made. Past three years company has earned 50% on its stock none of which has been divided with share holders.

Central Leather.—Reported sensational earnings. March quarter for 1916 shows balance after preferred dividends of $1,971,420 which is 460% larger than for the same three months of 1915, and was equal to 49% on the $39,662,485 common, or at the rate of slightly less than 20% for the year. Company's foreign business while not quite so large in volume as during periods of last year is holding up well while domestic business has shown vast improvement.

Cuba Cane.—Company has made millions as a result of failure to ship its crop with customary rapidity as price of sugar has largely advanced. Higher price of one cent per pound during past five weeks means additional profits of $10,000,000 on company's crop. Estimated that surplus for the year will be equal to $15 a share on the common, which would mean about two years dividends for the preferred stock.

Driggs-Seabury.—Company officials deny report of rumors for purchase of control of the company. Earnings reported to be very large with orders on hand for about $20,000,000 of three-inch guns and six-inch shells which are being shipped regularly. Profits on shipments reported to be not far from 50% gross. Utica plant shipping between thirty and fifty machine guns daily on its 20,000 order totaling $20,000,000.

Distillers.—Stockholders are assured that the directors will declare a 6% dividend during May. Question of redemption of a substantial amount of the company's outstanding bonds to be discussed at the meeting. Present plans indicate retirement of over $2,000,000 of bonds. Reported earnings of the company running at the rate of $500,000 per month with the entire production of 1916 already marketed. For fiscal year ended June 30th, 1915, the net available for dividends was $1,430,872, which was equal to 4.64% on the stock outstanding. Indications are the company will show this year a surplus substantially higher than in 1915.

Goodrich.—Company now turning out 17,000 tires a day as against 14,000 a day last year. New footwear plant in Akron has been completed, and high priced footwear business will be sought. Increase in sales for the year indicate 50% over a year ago, or $80,000,000 a year. Net earnings running well over 20% for the common stock as against 17% in 1915 and about 5% in 1914.

General Electric.—Orders received last year total $98,385,891 exclusive of orders received for special war munitions amounting to $33,980,000. Regular business of the company shows increase of $14,637,370 or 17% over that of 1914. Company paid quarterly dividends during year at the rate of 8% amounting to $8,219,918, and carried in the surplus account $3,607,992, as against $3,145,060 in the preceding year, making total surplus at the end of 1915, $23,692,871. Estimated net profit from war business between $4,000,000 and $5,000,000.

Goodyear Tire.—Common stock to be increased to $17,000,000. Present issue of $7,000,000 7% preferred to be called in and in its place $17,500,000 new preferred to be issued of which about $7,000,000 will be offered to holders of the present preferred and the balance $10,000,000 sold to Kissel, Kinnicutt & Co. syndicate and by them distributed to the public. Reported that a common stock dividend of 100% will be declared, bringing outstanding common up to $17,500,000. Company now doing a business at the rate of between $50,000,000 and $52,000,000 a year. Earnings applicable to stock estimated at $8,000,000.

Hercules.—So far as profits per share are concerned, company has passed Du Pont and has become a miniature Bethlehem. Net profits for three months ended March 31st, $4,847,610. This is at the rate of $19,390,400 per annum or equal to $273 per share on the common and almost four and one-half times as large as 63.1% earned in the twelve months to December 31st last. Expected earnings for this year will total $350 a share.

International Agricultural.—Acid shipments have been resumed at the rate of 750 tons per day. Reported that every ton of fertilizer for southern consumption that the company can make has been sold ahead. If present high price of sulphuric acid prevails, the company in a year will show earnings from its contract with Tennessee Copper Co. equal to aproximately 12% on the preferred.

International Nickel Co.—Year ending March 31st, International earned better than 27% on common stock. Reported that an extra cash dividend of 3% or 4% will be declared shortly. If 4% it would bring the cash distribution for the year up to 24%. To this must be added a 10% stock dividend declared when the old stock was selling above $200, giving the dividend a value of 20%. This would bring the total for the year up to 44%. Reduced to terms of the $25 shares, this would mean $11, so that at 50 for the new stock the holders would have realized a return of 22%.

Lackawanna Steel.—Earnings for March quarter 1916 are reported at $2,251,068, comparing with a deficit of $565,759 for the same quarter in 1915. April profits are estimated at $1,100,100, with a balance for dividends after charges equivalent to nearly 30% annually on the $34,750,000 stock. March earnings were at the rate of 28%. Orders have been received about double capacity, showing an increase of over 100,000 tons, or a total business booked of 1,000,000 tons, sufficient to assure capacity for fully a year.

Midvale.—Earnings for March quarter reported to have greatly exceeded expectations and said to amount to over 22% of its stock. The income for the balance of 1916 will be greatly increased by a beginning of rifle shipments. By late May company should be producing 2,500 rifles daily, and production will be expanded until 9,000 to 10,000 rifles daily are reached.

Maxwell Motor.—Net earnings have been running more than double those of a year ago and profits of upward of $5,000,000 are anticipated for current fiscal year ending July 31st next. This would provide 7% dividend on $14,029,136 first preferred stock—the amount outstanding when all warrants are converted—6% dividend requirements on second preferred, and would still leave a balance for the $12,778,057 common stock of approximately $3,500,000, or about $27 a share.

New York Air Brake.—First half year to June 30 next company will undoubtedly show profits of $50 per share on its $10,000,000 stock. Anticipated that war orders will be completed by July, and from a total of $20,000,000 profits of $5,000,000 are expected. Some talk of extinguishing its small bonded debt of but $3,000,000 and to set aside a fund that would insure continuance of the present 8% dividend rate during periods of lean business. Increased dividend not expected.

Republic Iron & Steel.—Present production of company reported at about 1,250,000 tons, compared with 250,000 tons ten years ago. Company now producing steel cheaper than at any time in its history, and saves more than 20,000 tons of coal per month by use of the by-product coke process, which produces besides coke sulphate of ammonia, tar and other products.

Saxon Motor.—For the four months of 1916 this company has shipped 9,391 cars. 1916 earnings are expected to show net profits of about $1,260,000, or 21% on the stock. Net profits in the first ten months of 1915 were $682,316, or a little more than 11% on the $6,000,000 capital. Company is booked far ahead with orders.

Standard Milling.—On July 1, company will retire in cash $806,000 bonds of subsidiary company, including $409,000 debentures of Hecker-Jones-Jewell Milling Company and $397,000 first mortgage bonds of Northwestern Consolidated Milling Company. Owing to these requirements there is little probability that the common stock dividend will be increased this year although indications point to largest net in the history of the company for the fiscal year ending August 31 next.

Scoville Manufacturing. — Stockholders will reap harvest from enormous business. In March an extra dividend of 8% was paid in addition to quarterly dividend of 2% and on May 1 an extra monthly dividend of 10% was paid in addition to the quarterly dividend of 2%. Its net earnings approximate 120% on the $5,000,000 capital from 1915 operations.

Studebaker.—Sales running almost double those of a year ago and report is made that 1916 profits will aggregate practically as large as in 1915, when $13,000,000 of war orders were filled. Not expected that change in dividend rate of 10% will be made at next quarterly meeting.

Submarine Boat.—Conservative estimates place the net for 1916 at $15,000,000. Large orders expected from the Government call for laying down 50 submarines a year for three years. Orders on the books assure profits per share considerably in excess of price at which stock is selling in the market. In addition, the forthcoming United States Government order should return profits in the next five years equal to, if not in excess of present market value of the canmpany's entire stock.

Torrington Co. — Net profits are far greater than ever before experienced and at the rate of better than 40% or $10 per share on the company's $140,000 common shares.

Triangle Film.—With plans arranged for merging other motion picture companies, capital will be increased from $5,000,000 to $25,000,000. Company will take over the New York Motion Picture Corporation, Keystone Film Co., Majestic Motion Picture Co., and Reliance Motion Picture Corporation, in addition the Players Film Co. and the Jesse L. Lasky Feature Play Co. will be merged as subsidiaries.

United Drug Co.—Capitalization $34,245,-350 is divided into 101,727 shares first preferred, par value $50, aggregating $5,086,-350 to pay dividends at the rate of 7% per annum. Second preferred, 91,090 shares, par value $100, aggregating $9,109,000 paying 6% dividends, common stock 200,500 shares, par value $100, totaling $200,500,000 First preferred stock will be subject to call.

United Cigar Stores—Company contemplates opening 150 new stores under bigger expansion plans, and it is also reported that the United and P. Lorillard Co. have made a working agreement by which the United will feature goods for the Lorillard concern.

United Fruit Co.—Net earnings for seven months to May 1 are $4,325,000, or three times that of a year ago. Estimated that company will earn 23% in addition to the 3% or 4% equity in the Nipe Bay Co.

Victor Talking Machine Co.—Undivided profits amount of $14,605,482, showing an increase for the year just ended of approximately $4,713,000, equal almost to the capital stock, which is less than $5,000,000.

Westinghouse Air Brake.—Progress of this company retarded owing to strike of 2,000 employees. It is not thought that plant will resume for some time.

Obligating to Save

Just as our big captains of industry obligate themselves for the capital necessary to achieve success, so can the small man obligate himself to save out of income until he reaches a point where the investment of his capital produces an income equal to or greater than his needs.—*Bond Topics.*

PUBLIC UTILITIES

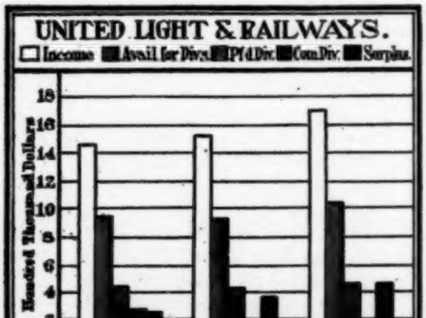
United Light and Railways

A Public Utility Company Operating in a Promising Territory—Earnings Showing a Healthy Increase—Conservatively Managed.

By LOUIS STONE

UNITED Light and Railways Company is a public utility that is rapidly demonstrating to its security holders the excellent possibilities of the territory its subsidiary companies serve. Earnings are showing a healthy increasing tendency and prospects are bright that there will be a continuance of this growth.

One question that almost invariably raised now-a-days when a public utility corporation is under discussion, is how has it been affected or how is it likely to be affected by "Jitney" competition? In the case of United Light and Railways Company the question does not loom large or ominous. In the first place only about 38 per cent of gross business in 1915 came from railways and this was affected to but a small degree. The interurban lines showed practically the same gross as the previous year and the city lines gross fell off only about 5 per cent. The increases in the sales of gas and electricity not only made up for this decrease, but were able to put gross earnings considerably ahead of 1914. (See accompanying table.)



Properties Controlled

Through ownership of all or practically all the securities of eleven public utility companies, the United Light and Railways Company owns and operates properties in over fifty cities, having a population according to the 1910 census, of 455,658, which by this time is estimated to be close to 540,000. The accompanying map gives a good illustration of where the properties are situated and the nature of their business. That this rich middle west territory is capable of great further expansion few will question.

The company already has built up an exceedingly profitable business as a glance at the accompanying graphic will show. For the year ended February 29, 1916, net earnings were $1,038,155, as against preferred dividend requirements of $567,991, leaving a surplus of $470,164, equal to 6.8 per cent on the $6,899,975 outstanding common stock. As the common stock is not paying any dividends and has not since July 1, 1914, these surplus earnings have gone to further strengthen the financial structure of the company.

Franchises

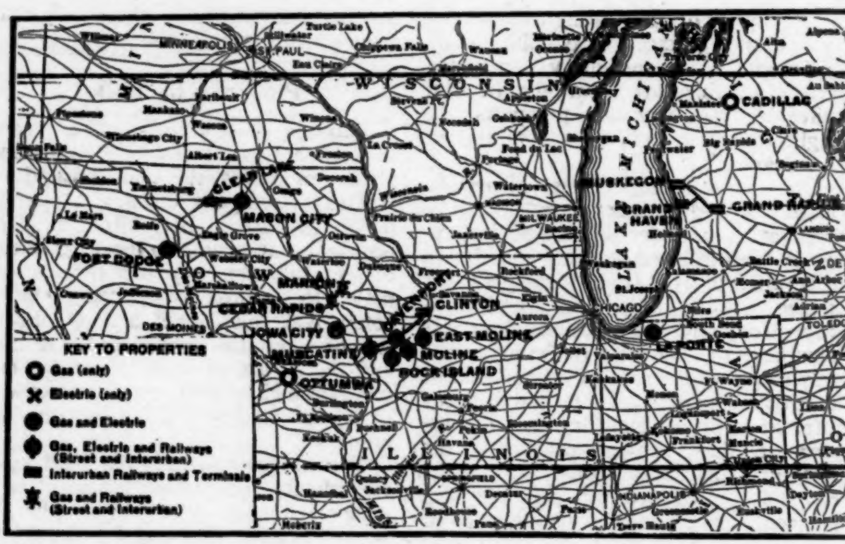
Now that we have shown that the company operates in excellent territory and has already demonstrated a good earning power, the next point to con-

sider is how strongly intrenched the company is in this territory, how long its franchises run and what it needs to fear in the way of competition. These questions can be speedily and satisfactorily answered. The franchise situation is good. A majority of the franchises (approximately 73 per cent) extend beyond the year 1932 and the remainder, with one minor exception, expire from 1921 to 1932. Some of these rights are perpetual and others run until 1960. A large part of the right of way of the railways is owned in fee.

Maintenance

During the year 1915 \$826,104 was expended for additions to properties and extensions of service. Of this total \$171,814 was expended on Gas properties, \$318,816 on Electric properties, \$321,291 on Railway properties and \$14,-181 on Heating properties.

The expenditures on the Railway properties completed all the requirements of franchise provisions previously agreed to and expenditures on Railway properties in the future will be normal.



United Light & Railways and Associated Companies Properties. In addition there is a gas property at Chattanooga, Tenn., which is not shown on the above map.

The various companies serve their respective fields without competition, and as their business has now been established for several years, the good will of the communities served has been acquired, so that it would be a rather unpromising proposition for rival public utility companies to attempt to compete for United Light and Railway business in any of these districts, provided, of course, that they could obtain a franchise which is decidedly doubtful. It would appear therefore that there is little to fear in the way of drastic competition.

The expenditures on the Gas and Electric properties were largely in the nature of completion of Central Stations and their equipment, started in the year 1914, and the natural extensions of gas and electric services due to the growth of the communities served and the demand for service. The properties of the Company are in good physical condition and have, in many instances reserve capacity.

Financial Condition

Let us now examine the financial condition of the company. The annual re-

port shows the consolidated balance sheet of the United Light and Railways Company and subsidiary companies as of December 31, 1915. Current assets, including $1,187,066 cash, totaled $2,227,938. As against this, current liabilities, including $723,959 accrued liabilities, totaled $2,172,376, making the balance in favor of current assets $55,562. Recently the company sold an additional $1,000,000 of its 5 per cent bonds, the resulting proceeds of which have added largely to its cash working capital.

United Light and Railways on December 31, 1915, had outstanding $9,815,800 6 per cent cumulative preferred stock and $6,899,782 common. Bonds outstanding in the hands of the public, including bonds of subsidiary companies, totaled $24,462,816. The profit and loss surplus, December 31, 1915, stood at $513,060 and the reserve accounts for depreciation and maintenance at $1,160,011.

The management of the company consists of men of wide experience in the public utility field and who have been successful in the past. Frank T. Hultwit is President, and Richard Schaddelee, first vice-president and general manager.

Position of Stocks

United Light and Railways preferred selling at about 77 yields 7.8 per cent on the investment. On the facts above presented we believe that this stock can be regarded as a good public service investment issue suitable for a business man to invest a portion of his funds in. At present prices the investment return would appear to be most liberal in view of the ability the company is showing to pay the dividend and still have a substantial surplus left with which to further strengthen its financial condition. With surplus earnings of about $500,000 per annum over preferred dividends, it will not take the company long to build up an entirely adequate working capital.

The common stock selling around 54 is of course speculative, and while a conservative policy on the part of the management will probably hold off dividends on this issue for a while, it can be said to have fairly good possibilities as a long pull speculation. Indications appear to favor an excellent growth for this business and with a good management behind it, it is reasonable to expect an earning power, after a few years, sufficient to maintain the common stock on a liberal dividend basis.

UNITED LIGHT AND RAILWAYS COMPANY

Comparative statement indicating the source of Revenue, both Gross and Net, and the percentage each class of service bears to the total.

	1915.	% of Total.	1914.	% of Total.
Gross Earnings:				
Gas	$1,318,922	20.91	$1,267,019	20.55
Residuals	122,934	1.95	199,174	3.23
Electric	2,322,983	36.82	2,079,145	33.71
Railway—City Lines	1,599,459	25.35	1,690,660	27.41
Railway—Interurban	791,361	12.55	790,392	12.82
Heat	81,004	1.28	86,533	1.40
Miscellaneous	72,109	1.14	54,033	.88
Total	$6,308,776	100.00	$6,166,959	100.00
Net Earnings:				
Gas	$611,353	24.64	$538,101	22.71
Electric	1,101,701	44.40	1,004,568	42.40
Railway—City Lines	439,867	17.73	523.676	22.10
Railway—Interurban	254,143	10.24	237,499	10.03
Heat	19,732	.79	26,996	1.13
Miscellaneous	54,714	2.20	38,582	1.63
Total	$2,481,514	100.00	$2,369,425	100.00

Unlisted Securities

Their Great Growth in Favor—Why They Are Less Subject to Extreme Fluctuations—New York the Greatest Market

By CHARLES H. JONES
Investment Banker

BY which is meant the Bonds, Notes and Stocks of corporations which are not listed or traded in on any Stock Exchange. Their number is legion. Someone has said that for every thousand dollars of par value of bonds or stocks dealt in upon the New York Stock Exchange, there are a hundred thousand dollars' worth dealt in outside of any Exchange.

Municipal Bonds

Municipal bonds are very rarely listed. Yet every month witnesses the purchase and sale of amounts which run into an aggregate of many millions. Many Industrial, Public Utility or other corporations prefer that their stocks and bonds shall not be listed, believing that in this way they may escape the ofttimes violent and dangerous fluctuations occasioned by those speculatively inclined, who care more to deal in "prices" than in "values."

Intrinsic Merit Basis

As a rule "Unlisted Securities" sell upon their intrinsic merit and earning capacity and are bought and sold usually by those who have knowledge of the issuing company. The volume of such buying and selling has within the past ten years increased to such an extent that each year now sees many additions to the ranks of the brokers and dealers in this class of securities. Indeed, it is today no unusual thing for a Stock Exchange or Bond House to have either its own "Outside Securities Department," or an arrangement of a more or less close nature with some person or firm whose business is confined to this character of securities. Few Railway, Supply or Sugar stocks, for instance, are listed, yet anyone can in a few moments obtain a bid or asked quotation from any one of the several hundred brokers or dealers in New York who specialize in them.

New York Greatest Market

Of course, New York is the largest market in Unlisted Securities but it is by no means the only market. Various cities claim to have the surest and closest markets in certain classes of corporate securities. These are known to the wide-awake New York broker or dealer in Unlisted Securities as a part of his stock of special information.

During the panic of 1907 and many other times of panic, the greatest shrinkage in prices was shown by Listed Securities. The Unlisted Securities, for which quotations were not set forth in the newspapers, were sold only when there was doubt concerning the stability of the issuing company, and, therefore, showed comparatively moderate declines. Their owners purchased them for the sake of the income they afforded and as long as they saw no reason to suspect a failure in dividends, entertained no thought of their sale.

Do Not Tempt Speculator

It is not often that the speculator in "prices" is attracted to "Unlisted Securities" because they are not carried on margin and are generally so closely held that it is hard to borrow them against "short" sales for the decline and too difficult to acquire them for the rise. So it is the investor who buys Unlisted Securities because he knows through reliable informants the nature of the business at present handled and the prospects for the future, who is benefited in times of prosperity by the distribution of earnings of the issuing company.

As the tendency towards publicity con-

As a rule Unlisted Securities are considered more stable in their prices, because less subject to speculative manipulations, than those listed on the Stock Exchange and, as the number of those who deal in Unlisted Securities is augmented, their market is steadily broadening, to the greater comfort of the banker who accepts them as collateral to the loan he makes.

Increasing Popularity

That dealings in Unlisted Securities are becoming more and more popular may be seen by reference to any of the financial pages of the magazines or newspapers seeking this character of advertising. The field is now so large that it has become necessary for those engaged in the business to specialize in "Public Utilities," "Railway Supply," "Oil," "Rubber," "Motor and Tire," "Moving Picture and Film," "Bank," "Insurance," "Mill," "Municipal," or some other class of Unlisted Securities.

Public Utility Inquiries

North American Co.

W. E. A., N. Y. City.—North American Co. does not earn its 5% dividend with a very large margin to spare. In 1915, the company showed a little over 6% earned on the common stock. The North American Co., as you perhaps know, is a holding company, and its income consists of dividends and interest received on the securities it owns. The subsidiary companies are paying to the North American Co., at the present time, about all that they can well afford to pay. We consider the stock a good semi-speculative investment. We also believe that the company will be able to maintain its 5% dividend, at any rate, for some time to come.

Utah Securities

A. S. W., Brooklyn, N. Y.—It is our opinion that Utah Securities is an excellent stock to hold for a long pull. The company has properties of promise and earnings are showing a continually increasing tendency. If you hold this stock, it is our opinion that you will be able to ultimately take a profit on it. We have not heard anything to the effect that the stock will be taken from the New York Stock Exchange. If it is, this will not affect its intrinsic value, of course, but it would not be likely to have as close or active a market as it would on the Board.

Nor. States Power

L. S. T., N. Y. City.—The earnings of Northern States Power Co. are sufficient to cover the interest on the notes with a very substantial margin to spare. We regard them as a reasonably safe investment for a business man to put his money into. It is our opinion that you will find it very difficult to get an absolutely safe and conservative investment bond that will yield as high as 6%. For a security yielding as high as 6%, we regard these notes as very attractive.

Good Utility Investments

F. C., Moorestown, N. J.—Pacific Gas & Electric 6% preferred is a good investment issue. Standard Gas & Electric bonds and Middle West Utilities bonds are also good investments for a business man. We would hardly regard any of those securities, however, as conservative investments for a woman.

Detroit United 4½'s

A. M. B., Toronto, Ont., Canada.—Detroit United Street Railway first consolidated 4½% bonds can be regarded as an excellent business man's investment. There is a controversy on in regard to certain of the Detroit United franchises, but even should this not turn out as favorably as expected for the company, it is highly unlikely that its earnings will be affected sufficiently to jeopardize the interest on these bonds.

Chicago Utilities

B. L., Wilkes Barre, Pa.—Chicago Utilities from the sale of its Automatic Telephone property to the Chicago Telephone Co. realized $5,800,000. It is thought that this money will be used to retire practically all of the $5,999,900 series "A" bonds. The series "B" bonds, however, may possibly put in an objection to this plan on the grounds that the company needs the money for development purposes. The series "A" bonds must be regarded as speculative, therefore, but they appear to have possibilities of going higher. If you are willing to take a chance with your money, we believe that you would do best to hold on.

Tenn. R.R. Light & Power

W. A. B., Media, Pa.—Tennessee Railway, Light & Power stock is speculative. It appears to have fair possibilities, how-

ever. At the moment we are inclined to the opinion that the trend of the market is downward and we are generally suggesting the closing out of speculative commitments and the investment of funds in the very highest grade securities.

Twin City Rapid Transit

A. M., Montreal, Canada.—Twin City Rapid Transit for the year ended December 31, 1915 earned 6.8% on common stock. This however, was after charging off for depreciation, $994,072. In 1914 the company earned 8.1% after charging off $1,015,900 for depreciation. The management states that the decrease in earnings was the result of 24 miles of new lines which were put into operation, and increase in taxes of $94,376. Gross earnings show a healthy increase. It does not appear that the company is being adversely affected to any extent by jitney competition. The company is in excellent financial condition with $1,600,212, current assets, as against $395,981 liabilities. The stock is, of course, speculative and we would not suggest that anyone put too much money into a security of this kind. We believe, therefore, that it would be a good move to reduce your holdings of this stock to more moderate proportions.

Denver City Tramway

M. F., Providence, R. I.—Denver City Tramway's earnings are showing up fairly well at the present time. The interest on the first refunding 5s, however, is not earned with a very large margin to spare and we are not of the opinion that these bonds can be considered a conservative investment. They are semi-speculative and only suitable for a business man to put a small portion of his funds into.

Utility Investments

A. L. L., San Diego, Calif.—In regard to your present holdings, the following can be considered good investment issues to keep permanently:

Cities Service pfd.
Puget Sound pfd.
American Telephone & Telegraph.
Montana Power pfd.

Cities Service common, United Fruit, U. S. Rubber and American Coal Products are decidedly speculative issues, but they have all good prospects of moving somewhat higher in price in the future. Our suggestion would be to wait for a further advance in these issues before selling. We would not recommend them, however, as permanent investments for a woman. Puget Sound common, Eastern Texas, Galveston, Houston Electric common, Consolidated Gas of Baltimore, American Light & Traction and Mississippi River and Power are all public utilities of promise. Their stocks must be regarded as speculative, however, and our suggestion would be to sell these out as soon as you can do so to advantage and invest the proceeds in more conservative securities.

Binghamton Light & Power 5's

C. H. B., New York City.—Binghamton Light & Power 5% 1st refunding mortgage bonds are an excellent public utility bond and we regard them as a fairly conservative investment for a business man.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of The Magazine of Wall Street, published every other Saturday at New York, N. Y., for April 1, 1916.

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.

Before me, a Commissioner of Deeds, in and for the City aforesaid, personally appeared Ernest J. Hutson, who, having been duly sworn according to law, deposes and says that he is the Business Manager of The Magazine of Wall Street and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, The Ticker Publishing Co., 42 Broadway, New York, N. Y.; Editor, R. D. Wyckoff, 435 Riverside Drive, New York, N. Y.; Managing Editor, Barnard Powers, 112 West 47th St., New York, N. Y.; Business Manager, E. J. Hutson, 14 West 107th St., New York, N. Y.

2. That the owners are:

The Ticker Publishing Company, 42 Broadway, New York, N. Y.; R. D. Wyckoff, 435 Riverside Drive, New York, N. Y.; C. G. Wyckoff, 435 Riverside Drive, New York, N. Y.; C. B. Wyckoff, 238 Gates Ave., Brooklyn, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

(Signed) E. J. HUTSON, Business Manager.

Sworn to and subscribed before me this 4th day of April, 1916

[Seal] HARRY W. FREEDMAN, Com. of Deeds.
New York City, N. Y., Com. No. 107.
(My commission expires March 16, 1917.)

Notes on Public Utilities

American Telephone & Telegraph—Reports for the quarter ended March 31, 1916, and the Bell Telephone System for the two months ended February 29, 1916, show a new traffic revenue of the parent company for the quarter of $2,141,482, or nearly 40% greater than received in the corresponding period in 1915, while total income showed an increase of 9%. Net earnings 10% over the same period a year ago. Bell System's gross earnings of $42,012,644 in the two months' period is an increase of almost $4,300,000 over the same period of 1915, with net earnings showing an increase of approximately $2,000,000 or about 20%.

American Gas—Increase in common stock from $4,000,000 to $7,500,000 and in the 6% preferred stock from $3,500,000 to $7,500,000 has been approved. Company will offer part of new preferred stock to stockholders at par. Proceeds to be used in the construction of a new 90,000 horse power generating station of Central Power Co., a subsidiary at Windsor, W. Va.

American Power and Light—For year ending March 31, 1916, earnings applicable to payment of interest were equal to more than three and one half times the annual interest charge on the $3,120,700 debenture bonds outstanding March 31. Proceeds received from sale of debenture bonds recently offered have anticipated payment of $3,000,000 6% notes due July 13 and have liquidated all other floating indebtedness.

Brooklyn Rapid Transit — During 9 months to March 31, company has earned a balance of 5.6% for its $74,450,000 stock as against 5.3% during the same period in 1915. Prospects are company will conclude fiscal year on June 30, with a balance for its shares very close to 8% as against 7.3% in 1915.

Boston Elevated—April reports show gain in gross receipts of about $90,000 or 6.2%. Stock will get quarterly dividend of 1½% and as much in last quarter as is expedient.

Cities Service—Earnings for dividends for twelve months ended March 31 increased $1,250,356 or 18.78% on common after preferred. New oil developments in Kansas are said to be adding largely to revenues of the company. The public utility properties owned by this company are also showing large increases, this being especially noticeable in the southern properties, where the depression of a year ago was severest. Properties in the lead and zinc districts of southwest Missouri and Kansas and Oklahoma are now reporting record-breaking earnings owing to the great expansion of the mining and smelting industries of these states. New line of the Prairie Pipe Line Co. from the Neodosha refinery of the Standard Oil Co. of Kansas to the new Augusta and Eldorado oil fields, which has a daily capacity of 35,000 barrels, will soon make it possible to market the full production of these fields. The gross earnings of subsidiary companies for twelve months ended February 29, 1916, was $23,788,862.

Detroit United Railway—Company now on 7% basis, showing an increase of ¼ of 1% over previous quarterly declarations. Earnings indicate very satisfactory increase.

Illinois Traction—Net earnings for last year amounted to $4,530,426 and the surplus $1,261,819 compared with $1,234,605 in the previous year.

Interborough — This company during nine months ended March 31 carried 503,401,830 passengers, and should the gain hold during the remaining three months, the gross for the year would be about 675,000,000 or approximately 24,000,000 more than were carried in the fiscal year ended June 30, 1913. Estimated earnings are about 26% on its $35,000,000 stock for the year ending June 30, next. Twenty per cent dividends from Interborough Rapid Transit give Interborough Consolidated $6,800,000 yearly, more than enough to pay the interest on its $67,825,000 4½% collateral bonds, and the 6% dividend on the $45,740,500 preferred stock. Altogether Interborough Consolidated at its present rate of income nets a yearly surplus of about $600,000 after all charges including sinking fund and interest on $2,500,000 notes. There is no possibility of a dividend on the common stock at least for the present.

Montana Power—Reported earnings for three months and twelve months ended March 31, 1916, show three months gross $1,426,319, and twelve months gross $4,860,282.

Manufacturers' Light & Heat Co.—Earnings for three months ended March 31 show gross of $2,265,197 and net of $1,097,307. Surplus after charges and dividends, $613,012.

Massachusetts Electric—April earnings show increase of 9.4% or $61,000 over April of last year.

Public Service Corporation of New Jersey—Earnings for March show increase of $491,611, or 17%, while balance after payment of operating expenses, fixed charges, sinking funds, etc., available for dividends and surplus was $380,206, a gain of $167,802. For three months, gain in gross was $1,229,242, or 13.9% and balance available for dividends and surplus, after payment of operating expenses, fixed charges, sinking funds, etc., was $1,212,928, a gain of $303,557.

MINING AND OIL

Swan & Finch Co.

How It Has Fared Since Its Divorce From the Standard of New Jersey—Dependent on the Vagaries of the Sea—Earnings and Dividend Prospects—Position of Stock

By RALPH O. LEE

"THAR she blows" is a cry which our New England forbears knew well, what time the fishing smacks cleared from Marblehead and New Bedford, and the more stately "whalers" set sail for the Grand Banks of Newfoundland. That hail of the "lookout," however, is still a matter of prime importance in the affairs of the Swan & Finch Co., ex-Standard Oil subsidiary, for every summer the Swan & Finch Co. plays a game of hide-and-seek. with Neptune.

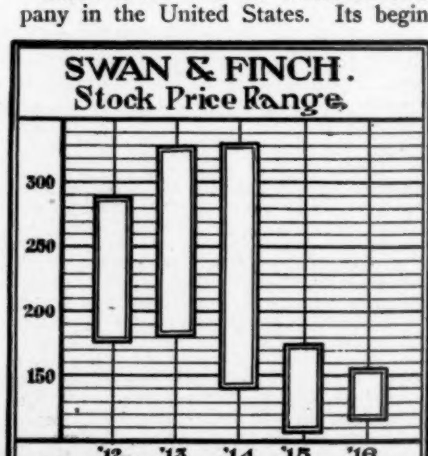
The stakes are the vast schools of oil-bearing fish which swarm in the Atlantic, for this concern is one of the largest producers and sellers of fish oils in this country, and the fish oil end of its operations is an exceedingly important branch.

A Mystery of the Sea

But there is never any certainty that these shoals of menhaden and similar fish can always be located. The company's fleet of five steamers set on their quest in late June or early July. Sometimes they run into the midst of their quarry, and the sea as far as eye can reach is agitated by the millions of fish. Again there are only a few detached shoals, and sometimes hardly any at all. Where the fish go in the off years is a sea mystery as yet unsolved. Whether they seek other feeding grounds, or whether they go to depths where no trawling nets can follow, is a question that has not been answered. As one old fisherman expressed it, "Sometimes they is thar, and sometimes they ain't," and that is about as near as one can come to it. For example, several years ago the company's catch alone totaled 55,000 barrels, while last year that figure represented the entire catches of every one engaged in that line of business.

Besides fish oils, the company does a large business in petroleum products, greases and lubricating oils. In lean fish years the lubricating end of the business keeps things going, while in the good fish years profits are large and the stockholders happy. Of late years, however, fortune has not been kind. For the last three seasons the catches have been very unsatisfactory, and if there is anything in the law of averages, it is high time, this season, that luck should turn the other way.

Swan & Finch is the oldest oil company in the United States. Its begin-



nings date back to the early '50s, and one William T. De Forest, who was succeeded by Chas. M. Finch. The business card of Mr. Finch bore, among other things, the announcement that he was prepared to deal in "Cods, Straits, Bank, Neatsfoot, Black Fish and Elephant oils." At that time John D. Rockefeller was enjoying a monthly "salary" of $50, and no one dreamed that oil would gush out of the ground in Pennsylvania. The partnership of Swan & Finch which was formed, endured until 1892, when the partnership was incorporated for $100,000 and Standard Oil interests came into the company. Mr. Finch is dead, but Mr. Swan is still alive and active, although approaching the fourscore years mark.

Thirty Years in One Place

The original firm was located at 115 Maiden Lane, and when fire destroyed its quarters moved to 151 Maiden Lane, where it remained for 30 years, or until February of the current year. There, in old-fashioned, narrow offices within a stone throw of the docks where the big coasters unload, the business gradually grew and developed. When the partnership became a corporation on December 21, 1891, the capitalization was placed at $100,000, par $100, of which the Standard Oil Co. of New Jersey had acquired $99,400, or all except directors' qualifying shares. Like all of the concerns in the Standard Oil group, there was no water in the Swan & Finch stock, and its capitalization placed only a nominal value upon the business, as evidenced by the high prices at which the stock sold after the dissolution.

During the time the company was owned by the Standard of New Jersey it made no earnings reports nor issued balance sheets. How well it did then at that time can be deduced from the fact that it is understood to have paid to the controlling company 65 per cent. in dividends in 1903, and 90 per cent. in dividends in 1906. The Standard Oil of New Jersey acted as big brother and banker to the smaller Swan & Finch subsidiary, as shown in the balance sheet of 1911 (given in Table 1), where the company's liabilities included a loan of $258,448 from the parent company.

TABLE I

SWAN & FINCH CO

CONDENSED GENERAL BALANCE SHEETS

(Years ended Dec. 31)

Assets	1915	1914	1913	1912	1911
Plant, steamers, stable equipment....	$440,879	$426,273	*$209,817	$58,089	$62,874
Merchandise and materials..........	814,373	559,503	560,777	662,047	677,733
Accounts receivable..................	335,046	250,251	324,708	458,036	361,656
Cash	35,423	33,466	40,548	101,490	16,797
Totals............................	$1,625,721	$1,269,492	$1,135,850	$1,279,662	$1,119,060
Liabilities					
Capital stock.........................	$500,000	$500,000	$500,000	$500,000	$100,000
S. Oil of N. J. loan.................	†325,000	....	....	....	285,448
Accounts payable....................	192,300	196,562	106,718	190,973	194,426
Reserved for depreciation............	141,369	133,433	....	....	....
Profit and loss......................	467,052	439,497	‡529,133	588,689	543,186
Totals............................	$1,625,721	$1,269,492	$1,135,850	$1,279,662	$1,119,060

* Deducting $24,343 depreciation written off.
† Borrowed from banks.
‡ $25,000 or $5 a share paid in dividends.

Effects of Standard Oil Dissolution

When the famous Standard Oil dissolution decree went into effect in 1911, however, the subsidiary was obliged to

shift for itself. It increased its capitalization from $100,000 to $500,000, offering the new stock to its new stockholders at par. It is of interest to note that the company began as a partnership, became a corporation with one large stockholder, i.e., the Standard Oil of New Jersey, and now has upward of 2,700 stockholders through the distribution of its stock to Standard Oil stockholders. Each share of Standard Oil stock received 994/983 383rds of a share of stock of the Swan & Finch Co.

The proceeds from the new stock allowed the company to discharge its indebtedness to the Standard Oil Co., leaving sufficient working capital. But the three recent lean years, indicated by the earnings as estimated in Table 2, cut down the working capital as indicated by the shrinkage in cash shown by the balance sheets presented in Table 1.

TABLE 2

SWAN & FINCH CO.

Indicated Earnings on Stock

Fiscal Years Ended Dec 31	Earned on Stock	% per Share
1915	$27,555	5.51
1914	*89,636	....
1913	*34,566	....
1912	45,503	9.10

* Deficit.

Reasons for New Financing

The company called a special meeting on May 1 to increase the capital stock from $500,000 to $1,000,000. The new stock, as before, is offered to the stockholders at par. The purpose of this increase in capitalization is to provide sufficient working capital and reduce interest charges. As Table 1 shows, the company on December 31 last owed the banks $325,000 and had payables totaling $192,300. As the fish-oil end of the company's business is seasonable, and as the corporation does not require the maximum amount of working capital the year round, it will be seen that by the new financing considerable can be saved in interest charges and be made available for dividends. In short, the company will borrow from its stockholders instead of the banks and will not have to bother about interest rates or the maturing of loans. The official statement in regard to the new financing follows:

"In order to avoid the necessity in future of borrowing money with which to carry on the company's business and in order to provide the necessary working capital for the company's present needs and for the increase of business which the officers are justified in expecting, the board of directors unanimously recommended an increase of the capital stock of the company from 5,000 shares of the par value of $500,000, to 10,000 shares of the par value of $1,000,000. The right to subscribe to the new stock at par will be given to stockholders pro rata to their holdings, whether in whole shares or fractional shares."

Outlook for Company

One of the results of the war was to cut quite heavily into the export business of this corporation, although the export situation has improved considerably since that time. The domestic business is satisfactory as the result of the general stimulation of business activity in this country. The crux of the situation in regard to the company seems, therefore, to be what the sea will yield this summer. That lies in the lap of the gods, and no man can forecast what the outcome will be.

The stock of the company has, therefore, a very strong speculative tinge. A good fish catch, coupled with good domestic business, would mean very considerable earnings, as one may realize by going back to 1906, when the company

earned $150,000, and again in 1903, when earnings totaled $91,093. Of course, with the increased capitalization, the stock will not sell as high as before.

The last dividend the company paid was in 1913, when $5 a share was declared. With the deficits shown in 1913 and 1914, it does not appear that the company is likely to do anything in the way of dividends in the near future. The stock, therefore, should be regarded as a long pull speculation, with considerable possibilities provided things break right for the company during the next six months.

The management is about to inaugurate an aggressive compaign for extending its present sphere of operations so that, as time rolls on, it will become more and more independent of the vicissitudes of the deep and the vagaries of the finny denizens which inhabit it.

Oil Notes

Associated Oil Co.—Through a contract entered into with Honolulu Consolidated Oil Co. there will be received $500,000 crude oil at a price of 22 cents a barrel in excess of last year's figures.

Cosden Oil.—Recent advances in this stock are attributed to 100% excess of earnings on the common stock. Net earnings for the year estimated at $2,000,000. The dividend policy to be adopted by the directors, it is reported, will not be in proportion to earnings as a large part of the surplus will be expended in acquiring new production.

Empire Gas & Fuel.—This company has been consolidated with the Continental Oil & Gas Co. under the name of Empire Gas & Fuel Co. of New York City, with a capital stock of $12,500,000.

Gulf Refining.—Increase in capital stock from $1,500,000 to $7,500,000 was authorized by stockholders at a meeting on March 8th. It is reported that $5,000,000 of the additional capital will be used to enlarge refinery and pipe line facilities.

Imperial Oil.—Owing to the report of a little change in duty on crude oil, shares of this company have enjoyed a stronger tone. The company is erecting a large asphalt plant in Montreal and a refinery in Regina, Sask.

Mexican Petroleum.—Earnings for 1915 were equal to about 10.5% on the $37,689,000 common stock. Dividends have just recently been resumed on preferred. Full benefit of the advance in oil prices was not felt in 1915. Common share earnings are now running at a considerably high rate. Refining plant at Tampico is running 20,000 barrels of crude oil daily, and it is expected to make an immediate increase in capacity with 30,000 barrels daily.

Midwest Refining Co.—Reports show that this company is earning at the rate of $500,000 net a month. If continued throughout the year the company will show better than 30% on its outstanding $18,000,000 capital stock. Already this is the largest oil factor in the Rocky Mountain states, and developments will shortly make it one of the largest refining companies in the country. Refineries at Casper and Greybull, Wyo., are being extended. Grass Creek and Salt Creek are the two leading producing fields in Wyoming and this company holds the controlling interest in them. If Wyoming oil can be gotten to the big eastern refining centers, more will have been done to correct the shortage in gasoline than all the efforts to get a higher extraction of gasoline from present available supplies.

Pure Oil.—This company has cut another melon. A 30% extra dividend has been declared in addition to the regular quarterly dividend of 6%, both payable June 1st, to stock of record May 15th. Profits for the last fiscal year amounted to more than 79% on the stock. In February an extra dividend of 50% was paid.

Sapulpa Refining.—Estimates indicate earnings of 50% on common stock for fiscal year ending April 30th. For three months ended March 31st total net was $174,969, equal to 17.4% on the stock. Since reincorporation under Oklahoma laws in May, 1915, the company has retired its $200,000 first mortgage 6% bonds and the $350,000 preferred stock has also been retired through conversion into common. Capitalization now $1,000,000 common stock. Rumor of increase in dividend reported to be well founded.

Standard Oil of Ohio.—At a meeting on May 25th stockholders will be asked to sanction increase of capital stock from $3,500,000 to $7,000,000. This increase will be distributed to stockholders as a 100% stock dividend.

Standard Oil of New York.—Fiscal year 1915 shows surplus of $9,761,663, compared with $1,735,919 in 1914, and $15,312,985 in 1913. The profit and loss surplus is $26,468,254. Earnings were at the rate of approximately 21% on $75,000,000 capital stock against 10.3% in 1914.

Oil Inquiries

California Petroleum

B. F. H., Albany, N. Y.—California Petroleum, as perhaps you have noticed, in 1915 failed to earn its preferred dividend, after usual depreciation charges by $49,157. The flow of oil from this company's wells has been rather uncertain and what they will be able to show in the future is problematical. The common stock is highly speculative and we are not inclined to favor it at present levels. Our suggestion would be, therefore, for you to sell out, or at least protect yourself with a stop loss order.

Oklahoma Oil

H. F. C., Barnesville, Ohio.—Oklahoma Oil Co. is a holding company and controls through stock ownership the Oklahoma Producing Oil Company. This company possesses 10 leases covering approximately 1,000 acres in the Boynton Pool territory, and 160 acres in the Chanute, Kansas, Pool, both lands containing 18 producing wells. The capitalization of the Oklahoma Oil Co. consists of $1,750,000 7 per cent cumulative preferred, and $3,250,000 common stock. The company is now undertaking extensive drilling operations and recently bought in a 100 barrel well. The stock can be regarded as a fairly attractive oil speculation, but we do not particularly favor the purchase of speculative stocks at the present time.

Pipe Line Stocks

M. L. A., Baker, Oregon.—The pipe line stocks should show somewhat increased earnings, in view of the fact that there is so much activity in the oil industry. The pipe line companies were all hit hard when the Interstate Commerce Commission reduced their rates. It is a good opinion, however, that they have seen the worst and that an improvement should set in. We are inclined to the opinion that Crescent Pipe Line will recover somewhat from present levels.

Texas Company

C. S. M., Washington, Pa.—Texas Co. stockholders of record March 10 have the right to subscribe to new stock at par to the extent of 20 per cent of holdings. The "rights" expire April 10. If you purchased your stock before March 10 you are entitled to these rights. You can either subscribe to the new stock or sell your rights in the market. The rights closed yesterday at 17½. Stockholders of record March 20 are entitled to a dividend of 2½ per cent which is payable March 31.

Pan-American Oil

J. B., N. Y. City.—The Pan-American Petroleum & Transport Co., which is being traded in on the New York Curb. This company has an authorized capital stock of $150,000,000, of which $125,000,000 is common and $25,000,000 is 7 per cent preferred. The par value of the common is $50 and of the preferred $100. An initial issue of $10,000,000 of the preferred has been underwritten. With the proceeds of this issue and $30,494,750 common stock being issued, the new company acquires more than 75 per cent of the preferred and almost 45 per cent of the common stock of the Mexican Petroleum Company, and practically all of the capital stock of the Petroleum Transport Company, owning six large transport steamers in operation and three additional ones well advanced in construction, and in addition would have $3,750,000 of cash working capital. The 8% dividends being received on Mexican Petroleum preferred stock will be sufficient to pay the 7 per cent preferred dividend on this company's stock. In addition, the company will receive revenue from the Petroleum Transport Company. It seems reasonable, therefore, to assume that the preferred dividend is well secured. As the preferred stock is convertible into common stock at 115, it therefore has good speculative possibilities. The common, of course, must be regarded as highly speculative, but it appears to have possibilities of going higher. Its future market course will probably largely depend on how conditions work out in Mexico.

Standard of N. Y.

E. A. B., Richmond, Va.—Standard Oil of New York we regard as an attractive speculation. It can by no means, however, be regarded as a suitable investment for a woman. Standard Oil of New York is continually increasing its export business and we believe the company to have a very brilliant future. We regard it as an attractive semi-speculative investment for a business man.

Midwest Refining

S. F., Sarnia, Ont., Canada.—Midwest Refining is earning at the rate of 20 per cent per annum on its stock, the par value of which is $50. This company owns valuable property in the Elk Basin of the Wyoming oil fields, which are proving to be good producers. The company has announced its intention of running a pipe line to these oil fields. Should the boom in oil continue for some time longer, this stock would appear to have prospects of a further advance.

Mining Digest

Anaconda—With a net production of 290,000,000 pounds of copper this year, at a net cost of 9 cents for production, and to sell it at an average profit of approximately 16 cents; this company is said to be earning at the rate of $25 per share for its stock and there is expected a further increase in profits after the middle of the year when its second electrolytic zinc producing plant is in commission. It is estimated that it will earn $2 a share on its zinc production, and its silver output, about 10,000,000 ounces annually, is now selling at 69 cents as compared with an average of less than 50 cents last year. The increased value of its silver alone, therefore, is likely to add almost $1 per share to its 1916 earnings. For the year ended Dec. 31st, 1915, a net gain of $7,906,218 over 1914, had been earned by this company.

Alaska Gold Mines—There is reported a hopeful outlook. Gross revenue for the year derived from the treatment of 1,115,294 tons of ore was $1,046,104, indicating an average recovery of 93.8 cents a ton. Mining expenses amounted to $794,256, equivalent to 71.2 cents a ton. This leaves a mining profit of $251,848, or about 22.5 cents per ton on ore mined and milled. Total operating income amounted to $278,771 and after deducting fixed charges of $90,000 there remained $188,771, equal to 25 cents a share earned on the outstanding capital stock. On March 1, 1916, the company increased its bonded indebtedness by the issuance of an additional $1,500,000 10-year 6% convertible debenture bonds, bringing the total funded debit up to $3,000,000.

Butte & Superior—With an annual yield approximating 4,000,000 ounces of silver, which at 73 cents per ounce is carried 27 cents above the low level of last year, there will accrue to Butte & Superior a material increase in earnings from this source. This would be equal to over $1,000,000, or $3.60 per share on the stock. Predictions are being made that the extra dividend to be declared will be $12.50 per share, though in all probability it will not exceed $10.00. The corporate title of the Butte & Superior Mining Co. has been changed to the Butte & Superior.

Greene-Cananea—In 1916 Greene-Cananea should produce at least 55,000,000 pounds of copper. Costs are probably down to about nine cents a pound, owing to the high percentage of gold and silver recoveries and the high price of silver now prevailing. On 25-cent copper this would mean earnings of over $30 a share, or more than $22 in excess of the annual rate of $8. With more than $4,000,000 cash on hand, and earnings on the above basis practically assured for 1916, Greene-Cananea is quite likely to reward its stockholders with further increases or extra dividends during the current year.

Kennecott Copper—The placing of this stock on a $6 basis sometime during May has created mild activity in these shares. Production of the company has been practically sold for the balance of the year, and earnings are running at the highest rate reported since the copper market turned for the better. A dividend at rate of $6 a share annually on Kennecott would absorb but a small percentage of its earnings on a basis of present copper prices. Estimates place the annual production at 110,000,000 pounds of copper this year and benefit from the production 110,000,000 additional pounds through its ownership of Utah Copper and Braden shares. The average cost of this copper should not be in excess of 6½ cents a pound and the corporation, therefore, should earn directly and indirectly somewhere between $14 and $15 a share for its stock.

New Jersey Zinc—Stockholders have been rewarded with the regular quarterly dividend of 4% and an extra dividend of 5%. This will make a total of 33% or $11,550,000 on the $35,000,000 capital paid in the first five months of the current year, as compared with a total of 50% which involved the distribution of only $5,000,000 cash as the capital stock at that time amounted to only $10,000,000 in the first half of 1915.

Tennessee Copper.—Although the company produced slightly less copper than it did in 1914, it earned a net profit of $1,233,158 and, after paying $62,338 interest on bonds and making an allowance of $175,000 for depreciation, its surplus available for dividends was $1,058,158, equal to $5.29 per share for this stock. It paid $3 per share in dividends and closed the year with $1,352,379 net surplus of current assets, a gain of $479,608 for the twelve months. It is now estimated that Tennessee will produce between 13,000,000 and 14,000,000 pounds of copper this year and increase its output of sulphuric acid approximately 25%. It should earn at least $12 per share for its stock.

United States Smelting.—April earnings reported to be over $1,200,000 or at the rate of $34 per share. Rise of 6 cents an ounce in the price of silver during the past fortnight is responsible for this showing. For the year it is estimated that this company will earn $14,500,000 or after the payment of note charges and preferred dividends, at the rate of about $34 per share or 68% on the stock. For the full year an estimated balance of $11,000,000 for the common seems conservative. This would equal to well over $30 a share.

Mining Inquiries

Fed. Mining & Smelting.

R. A. B., Harvey, No. Dak.—Federal Mining & Smelting pfd. had a big decline when the annual report for 1915 was issued. The showing was poor. There was a deficit of $169,077 after preferred dividend. We do not particularly favor this stock even at the present price of around 42, as the company's ore reserves are pretty well depleted.

Alaska Juneau.

S. C. A., Brooklyn, N. Y.—Alaska's Juneau's development plans are proceeding according to schedule and by next year the property will be in operation. The management estimates that the earning power will be $1.00 per share per annum. We regard the stock as an attractive long pull speculation at present prices. There are no unfavorable developments to account for its decline. This was probably due to the fact that the stock was somewhat over-bulled when it was first put out. We believe it should gradually work higher and suggest that you hold your stock.

Kenefick Zinc.

H. W., Chicago, Ill.—Kenefick Zinc Corporation, chartered in New York, has a capital stock of $500,000 7% preferred, par $100, and 200,000 shares of common stock of no par value. There is no bonded or floating debt. The company now controls four zinc properties and will at once acquire additional properties. The president of the company estimates that 1916 net earnings will be well over $1,000,000, if the price of zinc holds up. Good people are interested in this company. The future market price of this stock will probably largely depend on how long the war lasts. The war is responsible for the present high prevailing prices of zinc.

Butte and Superior.

T. C. C., Philadelphia, Pa.—Butte & Superior at present prices we regard as decidedly speculative. If there should be an unexpectedly quick termination of the war, this stock would have a big tumble, as the large profits the company is now making are due to the high prices of zinc which will not continue after the war. Our suggestion would be, not to purchase any more of this stock and to put in a stop loss order on your present holdings. We do not look for much of an advance in this stock from present levels.

British Col. Copper

L. V. D., Paterson, N. J.—The British Columbia Copper Co. is at the present time operating a smelter at Greenwood, British Columbia. The company's own ores are somewhat depleted, but it is working its smelter to a large degree on custom ores. The company is controlled by the Canada Copper Corporation. The estimate in the enclosed clipping, that British Columbia Copper will shortly be earning at the rate of $900,000 a year, we believe to be rather optimistic. Current earnings are probably around $20,000 per month.

Oatman District

B. F. K., Birmingham, Ala.—The Oatman district of Arizona is certainly proving itself to be a goldfield of considerable possibilities. The valuable ore in this district, however, is found at the deeper levels and this, of course, necessitates a considerable initial outlay. Prospects in this district are, therefore, to be rather avoided unless it is assured that they will be able to raise sufficient money to properly develop their claims. United Eastern has already blocked out from $5,000,000 to $15,000,000 worth of ore. There are excellent people behind this company and D. C. Jackling is one of the directors. We regard the stock of this company as an attractive mining speculation.

Silver Stocks

S. J. C., Crandell, N. J.—Tonopah Extension is an excellent silver stock. San Toy we do not particularly favor. The company's properties are in Mexico and of rather doubtful value. Other silver stocks we favor are: Nippissing, Tonopah Mining, Mines Co. of America. The property of the last mentioned company is also in Mexico, but it is a property of great promise. Should conditions in Chihuahua improve this stock should have an immediate advance from present price of $3.

Anaconda

A. C., N. Y. City.—Anaconda Copper has $116,562,500 capital stock, par value $50. Figuring copper at 25c, Anaconda is earning at the rate of about $19 per share per annum. The stock sold ex-dividend in the latter part of April. The directors are due to meet this month to declare the dividend. It is quite likely that extra dividends will be paid this year.

TOPICS FOR TRADERS

How to Trade in "Privileges"

"Puts," "Calls' 'and "Spreads" Explained—Their Functions and Advantages—When to Buy a "Privilege"

By EDWIN BLAGDEN

INTELLIGENT foresight is necessary if you hope to enjoy continued successful trading in "Puts and Calls." The principal advantage of trading in them is that your risk is at all times limited to their cost price. For the benefit of those of our readers who are not familiar with Puts and Calls, we will define them in these terms:

"Puts"

A Put is a document which gives its holder the right to deliver a certain amount of stock (or grain) at a specified price, within a limited time. The price stated in a Put is, according to New York custom, always below the market price at the time the Put is issued. The following is the form usually adopted:

NEW YORK, April 5, 1916.

For value received, the bearer may deliver to me 100 shares of the Common stock of the United States Steel Corporation at ...., at any time in thirty days from date. All dividends for which Transfer Books close during said time, go with the Stock, one day's notice required except last day.

Expires............191....

H. J. James.

The value of a Put is based on the length of time it has to run, the distance from the Market and conditions of the Market existing at the time of purchase.

If Union Pacific is selling at 175 and at the same time a Put is issued at 172 running for 30 days, the price of the Put would be worth about $200.

Illustration

To illustrate: Union Pacific is selling at 175 and B. Jones who writes or issues the Put, sells it to Tom Smith for $200. Jones believes Union Pacific will sell at a very much higher figure within the 30 days and reasons with himself thus: If Smith "Puts" that stock to me, I will get it at a price 5 points below the present market price, with the amount received for the Put, which would make the cost, in other words, stand me 168. T. Smith on the other hand believes that the whole market is going to smash and that during these 30 days he can buy Union Pacific at a very low figure. His argument therefore is: I will pay Jones $200 for the Put and when Union Pacific touches 165, I will buy 100 shares and deliver or "Put" it to him at 175. I will then make the difference between 175 and 165, being 10 points or $1,000, less the cost of the Put, $200, commission and tax.

"Calls"

A Call is a document giving the holder thereof the right to call upon (buy of) the maker of the privilege for a certain amount of stock, at a specified price (usually above the market), within a limited time. The form followed in New York State is as follows:

NEW YORK, September 1, 1915.

For value received, the bearer may Call on me for 100 shares of the Common stock of the Southern Pacific Railway Company, at 110 per cent (share) at any time in thirty days from date.

All dividends for which Transfer Books close during said time, go with the Stock, one day's notice required except last day.

Expires............191....

Jones & Co.

Illustration

To illustrate: Mr. Doe believes that Southern Pacific will sell much higher. With the stock selling at 108, Mr. Doe secures a Call on 100 shares at 110 for 30 days, and pays $200 for same. During the 30 days should the stock advance to 120 and Mr. Doe feels inclined to take his profit at 120, he would simply deposit his Call with his broker, who would sell 100 shares at 120 and receive it at 110 from Jones & Co., who signed the Call. Mr. Doe would then make the difference between 110 and 120, being 10 points or $1,000, less $200, the cost of the Call, tax and commission.

"Spreads"

A Spread is a Put and a Call on the same stock, running for the same length of time. To illustrate: If Mr. Brown expected big fluctuations in a certain stock but was uncertain as to which way it would go, he would secure a Spread. Supposing, for instance, he selected a Spread on Crucible Steel, the Put figure being made at 90 and the Call figure being made at 95. A decline in the stock to 80 or a rise in the stock to 105 would return the holder the same results as described in above Put and Call.

Puts and Calls are closed for you by the broker with whom you deposit same with, and he attends to all details.

Puts and Calls as used in form of insurance.

As Insurance

If A is long of a hundred shares of Reading at 85 and buys a Put at 83 good for 30 days, he can sell his hundred shares at 83 to B (the maker of the Put) at any time during the thirty days, no matter what the current price may be. His loss would then be about 2 points and cost of the Put. Whereas if the stock declined to 70 and had no Put against his stock, his loss would then show about $1,500.

If A is short one hundred shares Reading at 85, he can protect himself, say, by securing a Call around 87. Should the stock in the time advance to 100, his loss would be limited to about 4 points or $400. Should the stock go his way and decline to 70, he would cover.

In a Bear Market

In a Bull or Bear market they can be used as follows: When you think a reaction is due, you may buy a Put with a view of buying your stock when the price gets down around, or below, the Put. When the stock is bought below the Put figure, it requires no further outlay beyond the cost of your Put. This reduces your risk to a merely nominal amount, or perhaps in some cases to nothing at all, and also gets you into the market at a very favorable time. Supposing Reading declined from 90 to 80 and you held a Put at 83. You could, by simply depositing your Put at 83 and purchasing 100 shares at 83, hold for a rise, selling out at whatever figure you chose. After you have sold, should the stock decline, you could repeat this transaction as often as the market will permit.

In a Bull Market

In a Bull Market you would wait for a reaction and then buy a Call, the object being to get the Call before the rise started.

An illustration: If Steel Com. selling at 85 declines to 82, you would then secure a Call at about 84. Should the stock advance, say, to 94, you could then take your profit if you felt so inclined.

Prices for "Privileges"

Now enters the element of price for the Privilege. It is only natural to expect prices for "Puts and Calls" to be some little distance from the last market during a period of activity. And as prices get nearer the price of the stock, Calls crawl down and Puts crawl up.

It is therefore perfectly plain that the time to purchase Privileges is in a dull market, just before it starts an active move. There is no way to tell exactly just when these moments arrive, but using some degree of judgment you can pretty nearly tell. It is a proved fact that the longer a dull period lasts, the more certain it becomes that a period of activity is approaching.

Talks by an Old Trader

Talk No. 3. How Many Shares?

By "B"

CERTAIN business aspects of speculation are more or less completely overlooked by the majority of those who engage in it—even when the intention is, apparently, to "make a business of it." We endeavored to show, in our last Talk, that any single speculative venture is, in effect, nothing but a wager, and is only worth a certain rather limited risk. We have now to consider a correlative and complementary question of equal importance.

When a man decides to engage in making speculative commitments on a business basis, he should regard it as a continuous enterprise, consisting of a series of operations extending over a considerable space of time. His criterion of success or failure, and his plans, should be based on the idea of continuity of operations. If he indulge in sporadic ventures, it is highly probable that the only prospects are, in the long run, loss, or, at best, to come out not much better than even.

How Many Ventures?

After he has decided upon the approximate maximum amount he will risk upon any single commitment, he must go a step further before his "plan of campaign" is complete. He must have an idea as to how many ventures, of equal size, it will be desirable to provide for. The words "of equal size" are the nub of the whole matter, although the necessity for strict uniformity in this regard is by no means commonly understood. There is no means of knowing beforehand whether a given venture is going to succeed or fail, much less which particular commitment is going to show abnormal profits. For the same reason, if it is intended to carry more than one stock, the total line should be equally divided among them. It is not possible to know which one stock of a number is going to be the "star performer," nor which one will act so as to minimize the loss on a losing venture.

I am well aware that these arguments are at variance with the presumable beliefs of a good many speculators. When they talk about "inside information," or allude to some "tip" as emanating from a specially reliable source, they are assuming not only the existence of some one, somewhere, who knows what the market, or some stock, is going to do, but that that somebody is willing to let total strangers in on the ground floor. Undoubtedly, certain people are in a position to make a more correct guess than the rest of us, but they are not communicative—as far as I have observed—until after the cream has been pretty well skimmed off the milk!

The ordinary speculator's opinion at any given moment is, and must be, a guess. The next general movement may be up or it may be down. A particular stock may,.or may not, be about to undergo a pronounced change in price. As to such things we, the common people, really know nothing beyond such deductions as we may draw from observation of the action of the market in regard to prices and volumes, and the relation that market changes bear to current happenings and current rumor. Each of us is entitled to have his opinion as to the direction and intensity of the next movement, and as to which stock will move farthest and quickest—and to form that opinion in any way that appeals to us individually.

Having said so much, however, we have said all that there is to say. Consequently, having made a guess that certain stocks will move in a certain way, and being willing to risk a certain amount on that guess proving right, what are the odds on that guess being right, and right within the limits of that risk? We must face the possibility of making more than one bad guess before getting in right.

The "Personal Equation"

In our last Talk we saw that 76 out of 167 commitments, made by 31 different people, and under various conditions, resulted in a net profit of some sort. Consequently, so far as that evidence goes, the primary odds are less than even in respect of the outlook for any single commitment. In other words, the "personal equation" affects the natural odds applicable to a single guess about two equally possible happenings.

That, however, does not go nearly far enough as a basis for practical work. If we examine the action of individual stocks, we shall be able, possibly, to obtain a little indication of the real probabilities as regards a series of commitments, considered as interrelated. I have had the swings of a large number of stocks for eleven years (1902 to 1912 inclusive), analyzed, and the result is as follows:

There were 628 swings involving a substantial change of price-level. Of these, 389 were followed by a swing in the opposite direction, 149 were followed by a second swing in the same direction, and 37 of these last were followed by a third swing before the trend changed. Ninety-seven swings were followed by a prolonged waiting period, during which there were numerous minor swings of a range hardly wide enough to give the speculator much hope of a net profit. Consequently, a "trading position" in a stock did not mean a change of trend about twice out of five times, and in ninety-seven cases the commitment might quite reasonably have to be dropped at more or less loss, irrespective of the direction of the next swing.

Once more, no less than 87 out of the whole number of swings were contrary to the general trend as shown by "average" data. Alowance must be made for these facts, and they affect the speculator more than the in-and-out trader in various ways. For example, in the event of bullish indications appearing after an up-swing, and vice versa, the speculator is no longer buying after a decline of selling after a rise, and the chances of substantial profit are measurably reduced. A stock which has already moved any number of points has, obviously, less distance to go in the same direction.

Taking all the above facts into consideration, it would appear that the odds as to the next swing proving substantially profitable (potentially) could hardly be called much better than about one to four. We have seen, however, that when the "follow-up" principle is adopted it reduces the actual average risk below the maximum, and we may conclude that the minimum capital required, on the basis of the considerations so far adduced, would be about fifteen points, if we are using a five-point stop.

But other things have still to be allowed for. The odds in regard to selecting a stock which does not keep step with the rest is, as we have seen, 87 to 628, say one to eight. We also saw in our last talk that 236 out of 817 trading areas exceeded normal limits, so that, even if the speculator was right in his judgment as to the direction of the next swing, he might, nevertheless, have to take a less before getting aboard for keeps. And this might happen about once out of three times, according to the above figures. At least five points should be allowed for this.

$3,500 for Each 100 Shares

Finally, I should want to allow at least another five points for the influence of the "personal equation," and I do not feel any too sure whether that is sufficient!

Altogether, then, we have arrived at a working capital of twenty-five points as a reasonable minimum provision to make. That means, of course, in addition to margin, which must be kept good. Taking the margin as ten points, we have as the final result that at least $3,500 should be available for each hundred shares.

The above calculations presuppose (a) The use of a five-point (approximate) stop, applied on the "follow-up" principle; (b) Normal market conditions; (c) Some horse-sense in taking on a commitment, *e. g.*, the avoidance of "climbing" for a stock, and the taking of the trouble to look into the technical position of the market and the speculative merits of the stock before touching it; (d) Absolute avoidance of buying on bulges or selling on slumps.

No Chance to "Bluff"

These calculations, moreover, are only intended to ascertain a minimum value for the capital required. Inadequacy of capital is as disastrous in speculation as in any other business—and even more so, because you cannot make a "bluff" in regard to it, as it is to some extent possible, at times, in other lines of endeavor. As a matter of fact, the speculator who succeeds at all would probably make what amounts to a very handsome rate of interest on considerably larger capital per share than the amount above indicated. He really does not need to sail too close to the wind.

A very common (and erroneous) argument is that, having lost time, and very likely considerable money, in "learning how," the speculator must "make up for lost time." The fact is, at any one moment a man is only worth what he is worth then, and his outlook is forward, and not backward. He should regard himself as about to engage in a business with a certain amount of capital in cash, and a certain amount of knowledge of the business, and not worry about "what might have been." I shall endeavor to show, directly, that the perfectly legitimate possibilities are sufficient, without incurring the almost hopeless hazards of overtrading.

Some Objections

Certain objections to such arguments as the foregoing are quite frequently made by speculators of little experience. The two principal ones may, perhaps, be stated as follows:

(a) "Isn't it true that there is a difference between opportunities? For instance, stocks must surely be a better buy after a panic than at any other time, and a better sale after a boom. Even in the absence of a panic or a boom, surely some opportunities are more favorable than others?"

The general answer to this class of objections is to call attention, in the first place, to the difference between hindsight and foresight. Unquestionably, there is a very great difference between opportunities—as seen after the event. But, looked at beforehand, the case is exactly the opposite, except in the instance of a panic, when practically all stocks are driven below value, both intrinsic and speculative, and vice versa (but to a less extent,, and usually not so localized in time) in the case of big booms. In both of these cases, however, technical considerations come into play and tend to increase the risk, or the cost of operating, at least to as great extent as the potential profitableness of the opportunity is increased.

Undoubtedly, a panic is the investor's best opportunity, and I can see some plausibility in the argument that a speculator should "load up" at that time also—if only he could afford to do so. But he would, necessarily, have to operate on a wider scale as to risks than usual, so that his line would, in spite of himself, have to be kept within bounds. In any case, if one is only to operate on the long side, and only after a panic, or a panicky slump of large proportions, one wouldn't do much speculating! Beginning with that of 1873, and including the depression at the beginning of the war, we have had seven panics, in forty-three years—and about the same number of severe slumps. On the other hand, during the ten-year period including the years 1901 to 1910 there were fifty or more swings of the sort which are the proper concern of the speculator as distinguished from the "trader."

In point of fact, a wise speculator would keep away from a panic—except to cover any shorts he might be lucky enough to have open. After the panic is well over, even if prices are still more or less exceptionally low, his standard rules of action ought to be followed.

Short Selling in Boom Times

Short selling during boom periods is apt to be expensive, on account of the difficulty of deciding when the boom is actually over. One or more preliminary losses may have to be taken. The short side is, of course, the side to take upon an apparent major culmination, but appearances are more or less deceptive, especially in regard to the real final culmination of individual stocks, even if the general average does not advance any further.

So we see that, on the whole, one opportunity is not materially better than another for practical purposes. Moreover, the idea of allowing oneself to make exceptions to one's rules, "just for this once," is intrinsically unsound, and will not be found profitable in the long run. It involves yielding to the temptation to overtrade, and if the first such time happens to turn out favorably, the speculator is apt to throw caution to the winds and become a plunger. The odds are hopelessly against overtrading in any form. We hear all about the occasional lucky plunger, but the statistics of the multitude who have failed are not so freely exploited!

(b) Another common objection is, that if we are only to take on one hundred shares upon a capital of $3,500—or more, the return would be pretty small—for a speculation. This argument discloses a deficient sense of proportion, and also ignorance of the actual possibilities involved.

Five points is 14 1-3 per cent of 35 points, and 10 per cent of 50 points. In other words, a single five-point profit on a single hundred shares in a whole year would give a high rate of interest on $3,500—or $4,000—and a good rate even on $5,000—higher than could well be obtained in any other way. It would not be unreasonable to hope for two or three profits of some such size as that during a year, together with a few smaller profits and a few losses which might, perhaps, about balance. At any rate, the equivalent of two or three five-point profits, say 12½ points, net, might fairly be hoped for as a minimum average over a period of time—which is, after all, the real basis of our estimates.

Compounding Profits

If the speculator can bring himself to keep hands off his profits, at all events to some extent, and let his business enlarge itself, he will be surprised at the result of a few years' "compounding." If he takes every dollar away as he makes it, it is clear that he will never get anywhere.

The practical possibilities of speculation are also much overrated in regard to rapidity of results, as well as the size of individual profits. Last fall I came across more than one man who had doubled his money in a few months, and many who had a comparatively quick ten or fifteen or twenty points profit—at any rate, on paper. I noticed the prevalence of the idea that such profit-making was nothing remarkable. The truth is quite otherwise. Let the speculator study the records of numerous active stocks over a period of time. He will note that swings involving possibilities of five or six point profits are not uncommon. Swings from which he might reasonably hope to get ten or more points are the exception.

It must be remembered, in this connection, that the extreme range of any swing is usually far beyond the limits of the profits to be reasonably expected from that swing. There is a very large discount to be deducted at each end, as a rule.

Don't Refuse Profits

Another important caution is apropos here. Don't refuse a fair profit. One point profit per month, allowed to accumulate, means the potentiality of early wealth! It is, of course, impracticable in many cases to leave all the profits in the business, but a strong effort should be made to do so, especially in the early stages—exactly the same, in fact, as the level-headed young business man tries to do in other lines. Anyway, it is not the fault of the business of speculation that its reasonable ultimate possibilities are so seldom realized.

(To be continued.)

——The higher a stock goes, just that much less farther is it likely to go.

Technical and Miscellaneous Inquiries

Value of a Stock

Q.—How is the value of a stock determined? When is one to know whether a stock is cheap or dear?—S. J., Bronx, N. Y. City.

Ans.—There are many factors entering into the valuation of a stock. Foremost is the earning power of the company. Earning power should be considered under three sub-heads:

First—Present earning power.

Second—Prospective earning power.

Third—Earning power in the past.

By studying the earning power over a period of years the investor can determine how stable the earnings are, that is to say, whether they are subject or not to severe fluctuations. If the earnings of a company are stable, year in and year out, and not easily affected by depression, it increases the investment value of the stock. Perhaps the next most important point to be considered is the equity behind the stock, i. e., what are the actual assets of the company, and what are they worth per share? This is very often difficult to determine, as the valuation put on the balance sheet by the company of its assets may be largely overstated. Another point to be considered is the financial condition of the company—whether its current liabilities are large. Also, whether it has any bonds or notes falling due in the near future. In connection with this latter, the credit of the company should be considered. If the company has a very high credit, it will have little difficulty in financing maturing obligations. On the other hand, if its credit is low, it might become seriously embarassed.

In answer to your question, "How am I to know when a stock is intrinsically cheap or dear?" we would say that this is by no means an easy thing to determine. In fact, the intrinsic value of a stock is almost impossible to determine absolutely, and even financial experts are prone to greatly differ. The only method of which we know, to be able to judge in matters of this kind, is to make a study of a great many stocks as to equity, earning power, management, etc., and note what prices the stock has sold for in the past. This market value is important because it shows what value Wall Street places on it. In studying prices over a long period, the careful student can get a pretty accurate idea of what Wall Street regards as the intrinsic value of a stock. A careful study along these lines should, in time, enable you to become a good judge of values.

Charge for Collecting Dividends

Q.—Recently I purchased 200 shares of Miami Copper for which I paid but did not have transferred into my own name. When the February dividend was paid my brokers deducted a charge of 1 per cent which they claimed the brokers in whose name the certificates stood charged them for collecting and remitting the dividends. Is such a charge customary and proper?—L. W., Bishop, Cal.

Ans.—It is quite usual for a broker to make a charge of 1 per cent in connection with collecting dividends on stock which has not been transferred to the owner who is entitled to the dividend. However, it is very unusual to make a charge of this kind if the broker has purchased the stock for you and has kept it in his possession. Stock which you intend to pay for in full and take possession of, you should always have transferred into your name.

Loan on Securities

Q.—Would you kindly inform me in detail if possible as to the method of procedure in order to receive a loan on securities which I own, and which I intend to deposit with my broker as collateral. Do you approve of this method in preference to trading on margin?—A. S., Brooklyn, N. Y.

Ans.—By putting up securities as collateral in order to purchase stocks you are, of course, trading on margin just the same as though you put up cash. There is no difference between putting up securities as collateral or putting up cash. One way is as good as the other and it is simply a question of which is the most convenient for you. Take your securities down to your broker, sign them in blank, and have your broker witness your signature. They will then become negotiable and your broker can borrow on them. You should, of course, be careful to get a receipt for each security turned over.

Signing in Blank

Q—Do you sign the certificate over to the beneficiary, or do your sign a blank made out in duplicate of the certificate? If the latter is right is it necessary to have a notary witness my signature?—C. H. S., Douglas, Arizona.

Ans.—When signing a certificate in blank you do not write in the name of the beneficiary. That can be filled in later. In signing a certificate in blank, simply write your name in the designated place, the same as it appears on the face of the certificate, and have the signature witnessed by a notary.

Quick Turns

Q.—In buying stock I have always purchased outright and had it transferred into my own name. Oftentimes there is a sudden rise after I have bought, but as my certificates are in process of transfer I cannot turn them over to my broker to sell for me. Is there not a way in which I could buy and leave the certificates with my broker and then when I want to sell just telephone the order? Could this be done by marginal trading? How are the certificates handled when traders buy and sell within a period of three or four days? --B. L. J., Sanford, Me.

Ans.—If you purchase stock with the idea of selling it within a short time it is not necessary for you to have the certificate transferred into your name. Simply pick out a reliable broker and have him handle it for you. You can then purchase your stock and sell it the same day if you like. If you are not purchasing a stock for permanent investment, there is no necessity of putting up the full amount of money. In other words, if you intend to buy and sell within a short period of time the most convenient way to do this is to trade on margin. Care should be taken, however, to select a good broker. We are willing at all times to pass upon any broker you may favor, or to recommend one to you.

Traders seldom have certificates transferred into their own name as they don't hold stock long enough. Their brokers handles the stock for them. Stock certificates that are signed in blank are negotiable and may pass through dozens of hands in a week.

Margin Buying

Q.—Please inform me by return mail in regard to the plan of margining stocks. What per cent must be paid down, how long can the stock be held and how much of a drop will be allowed before a second margin is required? Do all brokers handle margin accounts?—V. R. D., Lincoln, Neb.

Ans.—In carrying stocks on margin, different stocks require different percentages of margin. For example, standard trading stocks such as U. S. Steel, N. Y. Central, Erie, etc., many brokers will carry on ten points, and the most conservative brokers will be satisfied with twenty points. On many of the new war specialties, however, such as Crucible Steel, correspondingly heavier margins are asked. Practically all the brokerage houses which specialize in stocks carry marginal accounts. Each broker, of course, has his own ideas as to what margin he requires.

N. Y. Bank Statement

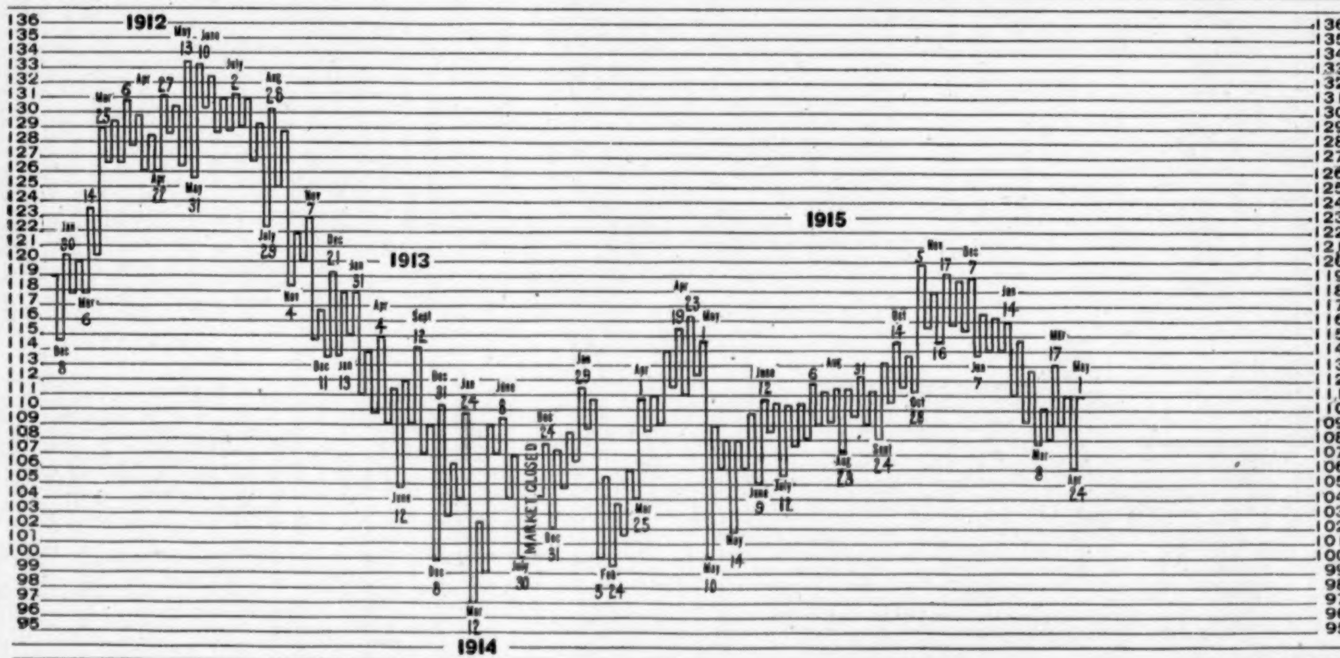
Q.—When taking a position in the market, long or short, do you think it necessary to give the New York Bank Statement as much consideration as you would have previous to the inauguration of the Federal Reserve act.—F. G. W., Bayonne, N. J.

Ans.—While the Federal Reserve Act has greatly strengthened the financial structure of this country, the New York Bank statement is still a very valuable indicator as to financial conditions and should be carefully studied. It is not, however, inclined to be as much a market factor as it was previous to the inauguration of the Federal Reserve Act.

Market Statistics

		Dow Jones 12 Inds.	Avgs. 20 Rails	50 stocks High	50 stocks Low	Total Sales	Breadth (No issues)
Monday	April 24	111.22	99.78	82.72	81.21	743.500	207
Tuesday	" 25	114.04	100.02	83.97	82.58	897,200	176
Wednesday	" 26	114.06	99.98	83.39	82.54	510,600	167
Thursday	" 27	115.92	101.95	84.91	83.11	725,900	200
Friday	" 28	117.16	101.78	85.74	84.64	704,100	188
Saturday	" 29	115.77	101.73	85.62	84.33	417,300	160
Monday	May 1	118.52	102.46	86.42	85.24	922,100	175
Tuesday	" 2	116.61	101.66	86.05	84.84	623,300	188
Wednesday	" 3	116.94	101.24	85.43	84.30	522,900	160
Thursday	" 4	112.91	100.68	85.10	83.94	534,200	163
Friday	" 5	115.57	101.40	84.60	82.39	867,600	173
Saturday	" 6	117.11	102.03	85.99	84.84	566,200	160

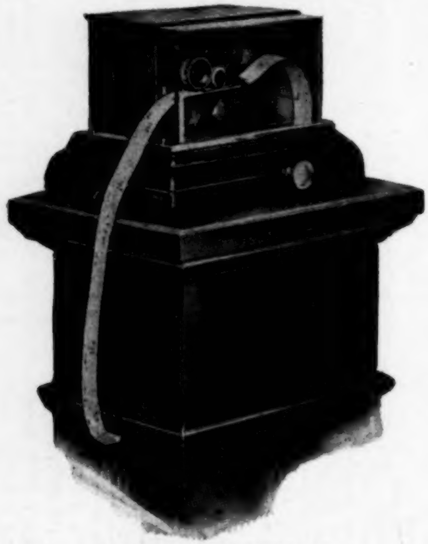
AMERICAN SUGAR--Common.



MARKET FLUCTUATIONS OF COMMON STOCK

In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel, common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Car & F'dy, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie, common, Beet Sugar, common, Crucible Steel, Butte & Superior, American Cotton Oil and panoramas of railroad and industrial stocks.

COTTON AND GRAIN



Grain Quotation Ticker

Trading in Wheat

Article 3

Government Reports—Receipts—Shipments—Consignments — A Speedy Market—The Tickers

By ARTHUR PRILL

STATISTICS on *Acreage,* or amount of ground placed under wheat, are valuable early in the season. These figures show whether the next crop is likely to be larger or smaller than that of previous years. The average yield of wheat per acre can be calculated at 17¼ bushels. When a *Government Report* is issued that the crop condition is 90 per cent, this means that at the time of the estimate 90 per cent of 17¼ bushels, or 15½ bushels, will be the yield per acre, according to available data.

Transporting the Grain Receipts—Shipments—Consignments

In general, it is the size of a farm which determines the method of marketing its product. Small farmers find it most convenient to sell to buyers located within hauling distance. These dealers make use of local or *Line Elevators* (also called *Country Elevators*), built along the railway lines. More extensive growers can avoid paying the small dealers' profit by sending their wheat to *Commission Men* at terminal centers. The largest planters keep in constant and direct touch with the Board of Trade and with the ever-changing prices of the pit; at favorable moments such planters dispose of their crops in large quantities.

A single elevator, now under construction at South Chicago, Ill., will hold 10,000,000 bushels, and will be the largest in the world. Such capacity is limited only by acreage and amount of concrete-tank erection.

Nearly all United States spring wheat is shipped to " Minneapolis and Country " *Mills,* which designation practically covers the State of Minnesota. 25,000,000 bushels a year are milled in the Kansas City district; important mills are also located at Buffalo, N. Y., St. Louis, Mo., Indianapolis, Ind., and Clarksville, Tenn. The " Northwestern Miller," a grain trade journal published at Minneapolis, gives weekly figures of *flour milled* in its section of the country. Such statistics permit formation of a judgment as to the amount of grain being immediately used. When there is a world flour shortage, the large mills run to capacity, and their con-

sumption becomes an important factor in the making of wheat prices.

Primary Points are traffic centers toward which flows the grain of practically all country shippers. These points are Chicago, Duluth, Minneapolis, Kansas City, St. Louis, Milwaukee, Detroit and Toledo. The aggregate of all grain reaching these centers is called *Primary Receipts.* The total volume of grain sent out from their tracks and ports is known under the term *Primary Shipments.*

Grain received at Duluth and Minneapolis constitutes *Northwestern Receipts.* It is on receipts at primary shipping centers that judgment of Visible Supply is mainly founded during intervals when no direct estimate is available.

The *Comparison of Receipts* for one day with those of the same day a year previous is common practice in newspaper columns, and thence finds its way into the market literature of some grain brokers.

Such comparison of day with day is of little value; one day's receipts may be wholly vitiated as a basis for comparison by a storm, a strike, a holiday or an accident anywhere between shipping and receiving point. The figures for a week are more useful, but these, too, may be thrown temporarily out of line; they can be employed to advantage when receipts and shipments for the Whole Season are already known and the last change in the situation is wanted. Total Receipts to date are the only receipts which can be used in gaining a definite idea of the wheat supply situation.

Consignment Houses are those which receive wheat from country shippers but do not store it. They sell by sample on the grain's arrival. This work is, in many instances, handled by one of the departments of general brokerage firms.

A *Carload Lot* represents about 1,200 bushels of wheat, although some of the new cars now reaching Duluth and Minneapolis are larger. A bushel of wheat weighs approximately 60 pounds. Carload arrivals consist of about 60 per cent of direct purchases and 40 per cent *Consignment,* i.e., shipment to a commission man, who will offer it for sale on the exchange. This, of course, makes no difference to the amount of Visible, nor is the effect of consignments noticeable on the quotation board, as carload arrivals are usually discounted by sales of futures previous to shipment.

In all calculations to determine the amount of grain on hand and the probable volume of coming demand, a broad view is essential. This is what makes Wheat Study the finest exercise for an active mind. The more angles of the situation you can grasp at the same time, and the more logical your deduction from these many facts, the greater your advantage over less versatile brains who attempt to compete with you in using the facilities of the Pit.

CHICAGO BOARD OF TRADE

Wheat Pit in Foreground and Corn and Provision Pits in Background

Shipping Terms

Similar care must be exercised in calculating the effect of *World's Shipments*, which include all grain sent from exporting to importing countries. *Quick Shipment* implies a maximum 5-day interval before the grain is on its way; *Prompt Shipment*—10 business days; *Immediate Shipment*—3 business days. Grain on the water between two ports is *On Passage.*

Off Coast is a term applied to grain vessels that are lying outside a port of entry waiting for instructions to discharge cargo or to continue trip. *Worked for Export* is a phrase implying that the grain in question is the Cash article just sold to an exporter, and is to be sent by rail so as to arrive at a harbor for immediate loading on board ship. Storage facilities at ocean ports are limited.

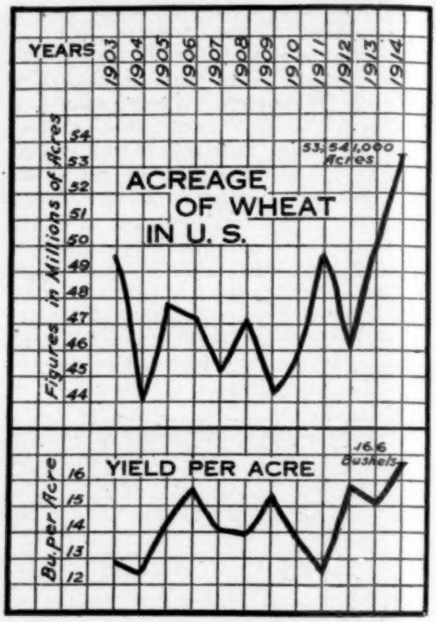
The *Atlantic Ports,* so-called, are Philadelphia, Baltimore, New York and Boston. Other important shipping points on the same seaboard are Norfolk and Newport News. New Orleans is the principal *Gulf Port;* Galveston another. The Atlantic ports and New Orleans are sometimes spoken of as the *Five Ports.* Grain is said to be *Afloat* when it is in a hold but has not yet reached its destination.

Clearances are the total shipments for a given date, and generally include only Lake, Atlantic and Gulf shipments. Figures for Pacific Coast clearances are given weekly by *Bradstreet,* the commercial agency.

On the Canal—is grain passing through the Erie Canal; a *Boat Load* is the cargo of a canal boat, and is calculated on a basis of 8,000 bushels. *C. I. F.* is the abbreviation for Charges, Insurance and Freight; *F. O. B.* stands for Free On Board.

The Atlantic Coast wheat *Export* business is partly in the hands of seaboard firms which make a specialty of bulk shipments. They are principally located at Baltimore, Philadelphia and New York. Direct sales for foreign account are also made in large volume from Chicago, Kansas City, Winnipeg, Duluth and Galveston.

One quality is common to all of the



wheat business: whether your deal be large or small, and no matter what influences are brought to bear on it by man or nature—the grain you raise or buy possesses an indestructible food value for which all mankind hungers with a call stronger than that of avarice, of patriotism or of religion. If you hold Wheat, sooner or later the world must come to You.

The Market With a Speed Record

Wheat value is a telegraphic spark that breaks from the Danube to Buenos Ayres, from the docks of Liverpool to our own furthest Western Empire, but all flashes cross on the floor of the CHICAGO BOARD OF TRADE. The owner of wheat still on the stalk or in an elevator, in a floating hold or only in the form of a contract for future delivery, can sell his property on this market at the edge of Lake Michigan in as many seconds as it takes him to offer his goods, plus one.

It has required the experience of two generations to perfect the Board trading

machinery for the handling of both Futures and Cash wheat.

Cash Sales, of course, imply exchange only of warehouse receipts; a million sacks of wheat could no more be hauled from office to office in LaSalle Street than a parcel of real estate can be actually transferred, though it be sold and resold half a dozen times in a day. Later, within the time limit of the contract of sale, the grain will be shipped, unless by reason of reselling or other change of intention the wheat is left in the elevator and storage is paid.

A membership on the Board of Trade carries an advantage which makes it desirable to very active traders, although they do not care to maintain an office or do any commission or brokerage business. To a member who trades through another member's office, the commission is only $3.75 per 5,000 bushels of grain; when a member does his own buying and selling in the pit but *clears* through another member, that is, he uses another's organization to finance and complete the transaction, the commission is $2.75 per 5,000 bushels, and if he closes the latter type of trade within 10 calendar days, the commission is $1,25 per 5,000 bushels. This compares with a $7.50 rate to non-members using a broker. A Government tax of 1 cent per $100 value is imposed on all trades.

The Tickers

Instantaneous transmission of news and prices is accomplished by the telegraphic Ticker system. These machines are of two main types; the larger is the News Ticker, which prints news in pithy paragraphs, much like those of the Gossip column on a newspaper market page. The news ticker uses a long sheet of paper 5⅜ inches wide, which unwinds from a roll as needed. Words are printed, letter by letter, from a revolving wheel similar to that of a child's typewriter.

News Ticker

The other and more constantly used machine is the Quotation Ticker which gives the price of each sale as made in the pit. For this purpose a narrow strip of paper (11-16 inch wide) is used, quotations appearing in the form of figures and abbreviations.

Similar machines are used to transmit stock market news and quotations. A central operator transmits these messages to all tickers on the circuit at the same instant. New York and Chicago offices are on an equal footing in regard to time of receiving this news service.

The beginner in speculation who has not grounded himself in fundamentals and acquired "market sense" but who, nevertheless succeeds in making a "killing," is lucky, not wise. He acquires wisdom later, but is apt to grow considerably poorer in the acquisition.

Bullish Influences in Cotton

By C. T. REVERE

BEGINNING with the first notice day for May contracts, which fell on Tuesday, April 25, cotton broke out of its rut and developed a strong upward tendency. Prices have advanced more than 60 points or $3 per bale, thus establishing a most important market movement in the last three months.

Setting aside the chronic bulls who are always optimistic about the course of the market, it may be stated that the advance has been a great surprise to the trade in general with the exception of a few strong interests which have recently turned to the long side after a careful analysis of underlying conditions. It is only fair to state that some of the bullish factors did not make their appearance until the movement was well under way. These new developments have merely accentuated the force of previous bullish arguments. In attempting to make an analysis of the economic factors which have been used as a basis for bullish overtures, the following may be enumerated:

Renewed peace talk.

The phenomenal rise in silver.

The scarcity of contracts.

Bullish crop ideas, including moderate increase in acreage and the reduction in the use of fertilizers.

Of course, other influences also have shared, and there should be no disposition to overlook the firmness of Southern holders, the abundance of money in the South, to say nothing of the splendid state of the textile industry in America with every mill engaged at full capacity at remunerative prices.

Peace talk, however, will not down, and this is the chief incentive for buying cotton around the present level. Prices are not cheap, particularly as there have been only a few years in recent history when new crop months have started the season above 12½c. This level implies a scarcity which does not exist at present and is possible only in the event that a cessation of the war before the end of another market season unleashes a tremendous demand from all Europe.

There has been very little of a concrete nature to substantiate the supposition that there will be no early ending of the war. There have been reports on the New York Cotton Exchange that German interests have recently made contracts for several hundred thousands of bales of cotton to be delivered at Bremen and other German ports within a certain time after such ports are opened, and with severe penalties in case delivery is not made within the specified period. Cotton is said to have been sold on call at a premium of 430 points on January in New York. Some of the recent buying is said to have been by way of fixing the price on some of these purchases. To the writer these rumors and this theory seem far fetched but the psychology of markets is seldom based on reason and logic.

With regard to the advance in silver, there is no doubt of the tremendous economic force of this phenomenon, but it is equally doubtful whether the impulse of the advance in the white metal has yet been communicated to cotton. The purchasing power of silver using countries in the Orient will be tremendously increased but the influence may not be felt for months to come. Silver seems likely to go higher than it has been for a great many years and the increased purchasing power of China and India eventually will be a great factor.

Contracts have been exceedingly scarce. The market was in a well liquidated condition and public interest never was at a lower ebb. The short interest was not extensive, but the buying to cover even a moderate line of shorts when coming into competition with aggressive buying for long account, would find a comparatively small supply of contracts. Hence it has been comparatively easy to send prices up in the present narrow market. The advance can easily go further simply because of the limited selling power.

The new crop situation is extremely puzzling. Last season the acreage, according to official returns, was reduced 15.7 per cent. Thus far none of the private reports indicate an increase of more than 9 per cent and the average view is around 7½ per cent. So far as practical experience goes, there is no reasonable incentive for holding down the acreage. The Southern farmer has never been tempted by economic considerations although it has been pointed out to him that it is better to raise a moderate crop and get a full price than to raise a big crop and get a low price. The average grower has been the sort of altruist who "lets the other fellow" do the reducing. Consequently precedent is cast to the winds if the prospect of 12½c. cotton with seed at $40 per ton is not to prove another lure for the planting of a large acreage.

Only one reasonable argument seems to have been advanced in favor of a moderate increase in the cotton area and this is the scarcity of labor. It is known that in the agricultural districts of the West and Middle West, farm labor is very scarce on account of the demand that has been made by industrial companies in urban centers. This argument would hardly hold good for the South in view of the fact that farm labor is furnished chiefly by the negro element who are not extensively employed in cotton mills or the skilled trades. Moreover, the cotton crop is harvested largely by the women and children.

The reduction in the use of fertilizers has been placed all the way from 7 per cent to 25 per cent. It is only fair to say, however, that no authoritative figures on this question have thus far been issued and some revision of ideas may take place.

Broadly speaking, cotton at this time seems to be in a somewhat bullish position and the narrowness of the market as well as the fact that there is no extensive long interest may make it easy to sustain prices and even to advance them further, particularly if there are any indications of damage to the new crop.

Bullish Wheat Hopes Deferred

By P. S. KRECKER

WHEAT continues to feel the depressive influence of large world's supplies. Bullish hopes have been deferred this Spring. Predictions of two dollar wheat were freely made last Winter and were to be realized this May. If they should be, it would be merely through a squeeze of shorts in the May option and there is no indication of such a squeeze at present writing. Such a squeeze would be no comfort to speculative longs who liquidated their May contracts long ago and would in no sense be a realization of the intent of predictions. Moreover, bulls are not losing confidence in ultimately higher prices and it is admitted by conservative observers that their confidence is justified in the outlook for the new crop.

Enough has been learned regarding the Winter wheat crop from government reports to permit the trade to determine with approximate definiteness what may be expected in that quarter. The crucial test of the American wheat market will be found in the Spring wheat fields. This fact is freely recognized in the market where the September option is rapidly forging to the front as the market favorite. At present writing September is selling at a premium over May and is about on even terms with July. This simply means that the trade realizes that the price level of wheat is dependent upon Spring wheat developments.

Estimates of acreage decrease in the three great Northwestern Spring wheat states range from 10 to 20 per cent and

similar estimates are made regarding the Canadian Northwest, where the three great producing areas are the provinces of Alberta, Saskatchewan and Manitoba. Early estimates of acreage reduction in these provinces have been 5 per cent reduction for Alberta, 18 to 20 per cent for Saskatchewan, and 10 to 15 per cent for Manitoba.

Taking the American Northwest first, a decrease of the minimum estimate or 10 per cent in acreage for the three states would be equivalent to 1,620,000 acres, leaving a total harvested area of 14,600,000 acres. The 10-year average yield for the three states under consideration has been 12.1 bushels, so that an acreage of 14,600,000 would point to a combined yield of 176,660,000 bushels. That yield would compare with 285,000,000 bushels harvested last year. The shrinkage indicated seems unduly large at first blush, but it must be remembered that the yield last year was phenomenally large per acre, averaging more than 17 bushels per acre, while the basis of calculation here made is the 10-year average of 121 bushels. If nature favors the Northwest as generously this year as she did last, there might be a yield of 250,000,000 bushels out of the three states.

Canada planted the largest acreage last season in her history and the average yield per acre was the biggest of record. The result was a final crop of 376,000,000 bushels. But the average crop of Canada has been 256,000,000 bushels, or 120,000,000 less than last season, and a cut of say 10 per cent in acreage with only an average yield per acre, would indicate a crop less than the average. With the season unquestionably late and a reduced area known to have been cultivated, it seems unlikely that more than an average yield of wheat per acre can be expected from Canada this season.

This condition leads up to the interesting point that it reflects more or less accurately the prospect of the whole wheat producing area of the world.

Complete statistics of the indicated wheat acreage of foreign countries this year are not available as yet. Neither are there available complete data on final acreage last year. In the absence of exact figures any estimate of probable acreage of the world are largely guesswork. But while admitting the lack of finality which such estimates must suffer, it is instructive to take what data are at hand and draw inferences even if these must necessarily be inconclusive. The figures used here are based on tentative estimates of acreage reduction made by Bromhall and other authorities, comparison being with the previous season.

Indicated Changes in Wheat Acreage

Argentina: Increase (no percentage estimated).
France: Decrease (much under normal).
Russia: Decrease, 30 per cent.
Austria: Decrease from 20 to 25 per cent.
Italy: Decrease (no percentage estimated).
Canada: Decrease, 10 to 15 per cent.
India: Decrease, 10 per cent.
Balkans: Normal.
United States: Decrease, 10 to 15 per cent.

In the foregoing list are embraced all of the great exporting countries of the world and only two—France and Italy—are importing countries. While recognizing the tentative character of the figures given, the patent deduction is that there is a world-wide reduction in wheat acreage. What the average of this reduction may be is difficult under the circumstances to say. For the sake of argument, let it be assumed that it is 10 per cent. That points to a material reduction in world's wheat yield. The average wheat yield of each country varies and no effort will be made to more than approximate the total crop.

Last year the wheat crop of the world was estimated by leading authorities at 4,454,350,000 bushels. It was the largest on record. The previous season it was 3,759,122,000 bushels and three years ago it was 4,008,831,000 bushels. In view of the indicated reduction in world's acreage, it is more likely that the total harvest of wheat for the world will ap-

proximate that of two years ago than that of three years ago when it was the second largest on record.

Weather conditions governing foreign wheat countries have been favorable on the whole to the growing crop, according to latest cabled advices. Of the United Kingdom these say that the weather has been good and sowing is well advanced on a somewhat reduced area. The Winter wheat outlook in France is described as satisfactory but acreage is reduced. Crop reports from Italy are generally unfavorable. The Russian crop outlook is generally good, but advices are conflicting. Roumania reports favorable prospects. Seeding prospects have improved in Australia and beneficial rains have fallen.

Export business from North America has been quiet but the average movement is well maintained with Canada doing a large share of the shipping. An interesting foreign development has been the lifting by the British government of restrictions against exportation of India wheat. India produced a large crop last year, officially estimated at 383,376,000 bushels, but has not been able to ship much. Even with restrictions removed, it is predicted that shipments will be light as freights are difficult to obtain.

European requirements this year have been estimated by the leading authorities at 476,000,000 bushels and those of other than European countries at 60,000,000 bushels, a total of 536,000,000 bushels which must be imported by countries which do not raise enough wheat to feed themselves. Actual imports by those countries last year are estimated to have been 499,000,000 and in 1913 at 546,393,000 bushels.

Wall Street Jottings

Facts and Tendencies

A circular of great interest to investors, touching on the basic facts and tendencies in U. S. Finance and Trade, is compiled and published weekly by Messrs. H. F. Bachman & Company, 14 Wall Street, New York. To the investor who wishes information on the fundamental factors influencing activity in securities this circular will prove of great value. Copies will be mailed free upon mention of this magazine.

New Director for the Fifth Avenue Bank

At a recent meeting of the board of directors of the Fifth Avenue Bank, Mr. Bolland G. Monroe, of the firm of Monroe, Paris & Company, was elected a director to succeed the late Gardner Wetherbee.

Municipal Bonds

The municipal bond house of William R. Compton Co. has issued a most interesting tabulation of the income yield of the bonds of twenty leading cities throughout the country for the last five years. The comparisons given are especially interesting at this time owing to the active market for municipal bonds, and showing as it does that municipal bonds are still selling on a very attractive income basis compared with former years.

Packard Motor Car Co.

George H. Burr & Co. have issued a circular on the 7% cumulative preferred stock of the Packard Motor Car Co., which describes this issue as being among the attractive investments at the present time. The circular may be had upon request.

Digest of Federal Reserve Act

The Guaranty Trust Co. has issued an attractive and convenient booklet, whose purpose and scope is explained by the following announcement on the outside cover: "We have endeavored in this digest to give the busy man a comprehensive idea of the banking and currency law, which with the establishment of the twelve Federal Reserve Banks became operative on November 16, 1914."

Copies may be had by writing to the company at 140 Broadway and making mention of The Magazine of Wall Street.

Questions and Answers

J. Frank Howell, of 52 Broadway, has issued a 4-page circular of Questions and Answers in reference to leading industrial and railway stocks now in the financial limelight. Copies may be obtained on application and mention of The Magazine of Wall Street.

Curb House Has Audit

One of the first of the New York Curb houses to have its books audited for the protection of its customers is R. Freeman & Sons, members of the New York Curb Market Association, 50 Broad Street, N. Y.

Earning Power of Railroads

Jas. H. Oliphant & Co., 61 Broadway, has issued 1916 handbook on the earning power of railroads. The volume includes 514 pages of printed and statistical matter, but is bound in flexible covers, and is of such size that it can be handily slipped into the pocket.

Knauth, Nachod & Kuhne

Knauth, Nachod & Kuhne announce the removal of their offices to the Equitable Building, 120 Broadway, N. Y. City, on May 1.

Public Utility Securities

M. W. Halsey & Co., 49 Wall St., N. Y., have prepared for the benefit of conservative investors a selected list of public utility issues which they are selling to banks.

Chino Copper

Noyes, Merriman & Co., 27 William Street, members of the Consolidated Stock Exchange, have issued a circular on Chino Copper, which goes briefly but pointedly into the matter of Ore, Reserves, Production, Surplus, Earnings and Outlook of the company. It is of especial interest to investors.

Merrill, Lynch & Company

Merrill, Lynch & Company, members of the New York Stock Exchange, have removed from the seventh floor of 7 Wall Street, New York City, to the ground floor, taking the quarters formerly occupied by the Bankers' Trust Company.

"Why Buy Public Utility Bonds?"

Under the above title, Messrs. Liggitt, Hichborn & Company, 61 Broadway, New York, are issuing a booklet which is of great interest to the present holder of public utility bonds, as well as the prospective investor. The comparisons drawn between railroad and utility bonds are of great interest.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

POOR'S MANUAL OF RAILROADS FOR 1916

For Sale by the Magazine of Wall Street.

The 49th edition of Poor's Manual of Railroads, covering the United States, Mexico and Canada, has just been issued. This valuable reference work presents this year for the first time the *Margin of Safety* on individual bonds and stocks in the form of percentage of total net earnings remaining after interest or dividends. This information appears throughout the text in connection with the statements. It gives subscribers first-hand facts upon which to base their estimates of value.

Bond descriptions have been thoroughly revised, particularly with respect to the underlying security. In this work the Manual has had official assistance. The descriptions contain new italicized headings, such as *Interest, Trustee, Secured By,* etc., so that the particular kind of information wanted may more readily be found.

All statements are revised to June 30, 1915, including those of companies that report for the calendar year. Information of importance issued prior to February 10, 1916, is also included.

AMERICAN BANKING

By H. Parker Willis, Ph.D., Secretary Federal Reserve Board, Washington, D. C. (Price $2.10 postpaid.) For sale by The Magazine of Wall Street.

A COMPREHENSIVE review of banking practises and financial institutions in this country is given in "American Banking," by H. Parker Willis, formerly associate editor of the *Journal of Commerce.* Mr. Willis' extensive knowledge of banking and finance is shown to good advantage in his discussion of modern banking functions, classes of banks and other technical topics, his latest volume on finance.

Perhaps the most interesting chapters in the work are those about the Federal Reserve Act, on which the author is thoroughly posted. In one chapter Mr. Willis takes up the history of the Act, the essential features of the original bill and the Congressional action on the bill. Then he devotes one chapter to the control of the Federal Reserve System, giving a full report of the numerous functions of the act.

Mr. Willis treats his subject in a broad way, and presents a valuable study of the whole act in a concise way.